REPORT

OF THE

Indian Tariff Board

REGARDING THE

GRANT OF PROTECTION

TO THE

WIRE AND WIRE NAIL INDUSTRY

(Including the Evidence recorded during the Enquiry)

CALCUTTA : GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
1926

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	Rs.	A.	P.
(1) Salaries of members and staff	21,481	10	0
(2) Travelling allowance (including daily allowance)	3,549	5	0
(3) Printing	1,018	0	0
(4) Contingencies	478	8	0

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Report of the Indian Tariff Board regarding the grant of protection to the Wire and Wire-nail Industry.

Scope of the Report.

In the Resolution of the Government of India in the Commerce Department No. 260-T. (37), dated the 18th June, 1925, the Tariff Board were directed to examine the question to what extent the protection given to certain classes of steel by the Steel Industry (Protection) Act, 1924, required to be supplemented. The recommendations of the Board were submitted to the Government of India in their Report on the grant of supplementary protection to the Steel industry but, for the reasons explained in paragraph 104 of that Report, the hearing of the application for supplementary protection put forward by Indian Steel Wire Products, Limited, was postponed. In this enquiry we have examined the Company's claim to additional protection for wire and wire-nails, and we have found it convenient to deal simultaneously with two other matters:—

(1) The proposal made by the Pioneer Nail Manufacturing Company and the Punjab Wire-nail Factory that a higher duty should be imposed on nails than on wire; and

(2) A request made by Halley Brothers, Limited, for exemption from the protective duties on the wire and wire rod used by them in the manufacture of hackles.

Both these questions were referred to the Board in the Resolution of the Government of India No. 38-T, dated the 28th March, 1925.

Section I.

Supplementary protection for wire and wire-nails.

Amount of the supplementary protection originally claimed.

2. Our primary task in this enquiry is to ascertain the amount of the additional protection which must be given to the manufacturer of wire and of wire-nails if the industry is to maintain itself in the face of foreign competition. When the Board recommended that a specific duty of Rs. 60 a ton should be imposed on wire and on wire-nails, they estimated that Rs. 320 a ton was a fair price for the Indian manufacturer, and that imported wire and nails were likely to enter India at a price, excluding the Customs duty, of about Rs. 260 a ton. The c.i.f. price of Continental wire in September 1925 was £10 a ton, which is equivalent to a landed cost without duty of about Rs. 140 a ton

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when allowance is made for landing charges. The c.i.f. price of wire-nails was somewhat higher, ranging from £11 to £11-10-0 a ton. The wholesale market rates in Calcutta for both wire and nails were given as from Rs. 9 to Rs. 10 a cwt. which would imply lower c.i.f. prices, but there was probably some accumulation of stocks occasioned by the heavy imports of 1924, and the c.i.f. price must, we think, be taken as the dominant factor. Between 1923 and 1925 the landed cost of imported wire had fallen by Rs. 120 a ton, and Indian Steel Wire Products, Limited, at first suggested that this sum should be taken as the measure of the additional protection required. In that case it would be necessary to raise the Customs duty on imported wire to Rs. 180 a ton which is 129 per cent. of the landed cost. It was pointed out to the representative of the Company in oral examination that very strong reasons would have to be adduced to justify protection on this scale, and the claim made was subsequently revised.

Reductions in the cost of wire rod and in the works costs.

3. Of the items which make up the cost of production the most important is the cost of the steel rod from which the wire is drawn. In August 1923 the cost of Continental rod delivered at Jamshedpur was Rs. 170 a ton, and since there is a 10 per cent. wastage in manufacture, the cost per ton of wire was Rs. 187. The present c.i.f. price of similar rod is about Rs. 90 a ton, and to this sum must be added the clearing charges at Calcutta (Rs. 5), the Customs duty (which at 10 per cent. would be Rs. 9) and the railway freight to Jamshedpur (Rs. 15). In round figures the cost of a ton of rod at Jamshedpur is about Rs. 120, and the cost per ton of wire is Rs. 132. A reduction of Rs. 55 a ton in the cost of the raw material can therefore be set off against the decrease of Rs. 120 a ton in the price of the finished product. The works costs above nett metal were taken by the Board as Rs. 65 a ton in 1923, but the Company now estimate that they can be brought down to Rs. 58·5 a ton in view of the lower prices of coal and stores. It is impossible to criticise this estimate, for the data, which ought naturally to be available, cannot be produced owing to the stoppage of the works for more than a year (see paragraph 8). It is not likely, however, that costs can be brought down below Rs. 58 a ton in the next 12 months, and the figure may be accepted as a reasonable estimate in the circumstances. The total of the works costs is then Rs. 190 a ton.

Reductions in the overhead charges.

4. The Company expect that the new plant they have purchased will increase their monthly output from 250 to 300 tons, and have proposed the following changes in the allowances for overhead charges and manufacturers' profit.

(*a*) The allowance for depreciation is reduced from Rs. 18 to Rs. 10 on account of the heavy writing down of the block in the reconstruction of the Company.

(*b*) The allowance for interest on working capital is raised from Rs. 10 to Rs. 16·5 because the Company have now

a debenture loan of Rs. 8 lakhs, whereas the Board found the working capital required to be Rs. 4 lakhs.

(c) The allowance for head office charges is cut down from Rs. 16 to Rs. 11 a ton on account of the economies to be effected by the transfer of the head office from Bombay to Jamshedpur.

(d) The allowance for the manufacturers' profit is reduced from Rs. 24 to Rs. 12·5 a ton in order to show that the applicants are not asking for a scale of protection which yields them a high profit.

The nett result of all these changes is to reduce the total allowance for overhead and profit from Rs. 68 a ton to Rs. 50 a ton, and the fair selling price is then Rs. 240 as against Rs. 320 in the Board's original estimate, a reduction of Rs. 80 a ton On this basis the additional protection required is Rs. 40 a ton.

Amount of the supplementary protection required.

5. The Company's method of dealing with the overhead charges is not one which we can accept. In determining the scale of protection the allowances for depreciation and interest on working capital must be fixed at what are deemed to be reasonable figures for any firm engaged in the industry, and not according to the financial circumstances of one particular firm. As it happens, however, the changes in the allowances under these two heads very nearly counterbalance each other and the real reductions are in the head office expenses and allowance for profit. We believe that Rs. 40 a ton is the minimum amount of additional protection which will suffice to resuscitate the industry. The allowance for profit is a small one, amounting only to Rs. 45,000 on an annual output of 3,600 tons, and is really no more than a margin for contingencies. During the first few months of renewed production the monthly output will certainly be less than 300 tons, and the costs above nett metal will be higher than the estimate. Any proposals that we make will be applicable only to the period ending on the 31st March 1927, and it is most unlikely that the surplus over actual expenditure up to that date would suffice even to provide fully for depreciation.

Increase in the amount of the supplementary protection needed when the supply of Indian rod is commenced.

6. In estimating the works costs in paragraph 3, only a 10 per cent. duty on imported rod was taken into account and on this basis the cost of rod was found to be Rs. 120 a ton, which is equivalent to Rs. 132 per ton of wire. If, however, we had taken as our basis the price which would be paid to the Tata Iron and Steel Company for rod supplied by them, the cost would be approximately Rs. 132 a ton, which is equivalent to Rs. 145 per ton of wire. Finally, if we had taken account of the fact that imported rod is at present subject to a protective duty of Rs. 40 a ton, the cost of the rod is increased to about Rs. 150 a ton, which is equivalent to Rs. 165 per ton of wire. It is obvious that the supplementary protection needed will vary

according to the assumption made. The amounts required would be—

	Rs. per ton.
Imported rod with a ten per cent. duty	40
Rod supplied by the Tata Iron and Steel Company .	53
Imported rod subject to the protective duty	72

It makes no difference to the finances of the Government or to the Wire Company whether a bounty of Rs. 40 a ton is paid and a ten per cent. duty collected, or a bounty of Rs. 72 a ton paid and the protective duty collected, for in the latter case what is collected with one hand is paid back by the other. It was never intended, however, that the Indian wire manufacturer should pay the protective duty, and had the possibility been foreseen arrangements would have been made to prevent it (see paragraph 26). It is better therefore to proceed on the lines of a ten per cent. duty. It must be recognised, however, that as soon as the Iron and Steel Company begin to supply wire rod, the amount of the supplementary protection needed will increase from Rs. 40 to Rs. 53 a ton.

Supplementary protection, if given, should take the form of a bounty.

7. If it is decided that additional protection should be given, we have no hestitation in recommending that it should take the form of a bounty. The specific duty of Rs. 60 a ton was applied to all kinds of wire (other than barbed wire and stranded fencing wire), because it was found impossible to discriminate for Customs purposes between the single stranded plain or galvanized wire such as is made at Jamshedpur, and special wires made of tempered and hardened steel. The value of these special wires was believed to be from Rs. 500 to Rs. 800 a ton, so that the incidence of the specific duty of Rs. 60 a ton would vary from 12 to 7 per cent. and would not on the average exceed 10 per cent. If, however, the duty were increased to Rs. 100 or Rs. 113 a ton, the arrangement by which the same duty is applicable to wires of widely different values would operate unfairly, and would unduly increase the cost of the expensive wires. We do not expect that the total output of wire and wire-nails at Jamshedpur will exceed 3,600 tons from the time the works are re-opened up to the 31st March 1927, and the total payments on account of the bounty during this period will not exceed Rs. 1·5 lakhs.

Necessity of stating what the evidence is on certain points.

8. The amount of the supplementary protection needed having been ascertained, it remains to consider whether, in all the circumstances of the case, it should be granted. Before expressing our opinion on this point, it will be desirable to review part of the evidence we have taken which must necessarily affect our recommendation. For reasons explained in paragraph 21, we shall refrain as far as possible from comment, and confine ourselves to a bare recital of the undisputed facts and of the

statements made to us. The three points to which we must draw attention are:—

(1) The demand for additional protection is presented by a Company—Indian Steel Wire Products, Limited—which shut down its factory at Jamshedpur in September, 1924, and had not re-opened up to October, 1925. No other firm in India has up till now undertaken the manufacture of steel wire for sale, and for more than a year this branch of the steel industry, though enjoying protection, was in a state of suspended animation.

(2) The evidence taken leaves it doubtful whether the economical production of the steel rod from which wire is drawn is possible in the rolling mills at Jamshedpur. If it is not, the Wire Industry will be dependent on imported material.

(3) A comparison of costs and prices makes it doubtful whether, so long as the industry is restricted to the use of imported rod, it can ever dispense with protection.

We shall state what the evidence is on each of these points.

Financial difficulties of the Wire Company.

9. Indian Steel Wire Products, Limited, commenced the manufacture of wire at Jamshedpur in December 1922. The full capacity of the plant working one shift a day was 250 tons a month, or 750 tons working three shifts. During the four months May to August 1923, the average monthly production had reached 100 tons and the highest output in any one month was 120 tons in August. This figure was never exceeded during the twelve months which elapsed before the factory was shut down, and the average monthly output during this period was not more than 80 tons. The failure to increase the output during the cold weather of 1923-24 was due to a shortage of working capital, which seriously hampered the Company during a period when prices were unremunerative and orders difficult to obtain. This difficulty was eventually removed when the Government of Bihar and Orissa, in August, 1924, sanctioned a loan (secured by debentures) of Rs. 5 lakhs to the Company under the Bihar and Orissa State Aid to Industries Act. Debentures to the amount of Rs. 2·9 lakhs were also subscribed privately, so that the fresh captial raised amounted in all to Rs. 7·9 lakhs. Part of this sum was devoted to the liquidation of the losses already incurred, part was expended on the purchase of new plant and machinery, and the balance will be used as working capital. As a condition of the loan the Government of Bihar and Orissa insisted on the writing down of the Company's block to the value disclosed by an expert valuation, and the writing down of the share capital by 60 per cent.

Difficulty created by the protective duty on imported wire rod.

10. During the six months which followed the passing of the Steel Industry (Protection) Act in June, 1924, conditions were unfavourable to the industry, for the price of wire fell heavily and the exchange value of the rupee rose to

1*s*. 6*d*. But had it not been for a difficulty created by the Act itself, the Company would have been able to continue production and to increase its output. In the original enquiry the Company asked that no protective duty should be imposed on wire rod until the Tata Iron and Steel Company had actually commenced its manufacture, and the Board considered this proposal, but in view of the evidence referred to in paragraph 11 did not adopt it. Under the provisions of the Act imported steel rod became subject to a duty of Rs. 40 a ton, whereas the 10 per cent. duty previously in force did not exceed Rs. 15 a ton. The consequent increase in the cost of wire was Rs. 28 a ton, while the additional protection given by the higher duty on wire was no more than Rs. 34 a ton, the nett gain to the industry being only Rs. 6 a ton. This difficulty would not have arisen had the Tata Iron and Steel Company been able to manufacture steel rod by the middle of 1924 as had been expected, for the price of rod supplied in accordance with the agreement between the two Companies was to be the average of the British and American f.o.b. prices, with an addition of 10 shillings a ton, and could not be affected by changes in the rate of duty. But the Iron and Steel Company found themselves unable to roll wire rod, and when Indian Steel Wire Products, Limited, had exhausted the supplies of rod imported before the passing of the Steel Industry (Protection) Act, they had no alternative but to close down. It does not appear that any steps were taken to bring to the notice of Government, or of the Board, the difficulty created by the protective duty on wire rod until an application for additional protection was presented in July 1925.

Evidence taken in the first enquiry as to the manufacture of wire rod at Jamshedpur.

11. It may be useful to summarise the evidence which the Board had before them when they recommended that the duty of Rs. 40 a ton proposed for bars should apply also to wire rod. In the written evidence of Indian Steel Wire Products, Limited, there were the following definite statements:—

(1) "Our Company has entered into an agreement with the Tata Iron and Steel Company under which the latter Company has undertaken to supply us with all the steel required for our Company".*

(2) "The Tata Iron and Steel Company informed us in May last that they would be in a position to supply steel rods to us somewhere in the middle of the year 1924".†

In their written evidence the Tata Iron and Steel Company said—

"When our Greater Extensions are completed, *i.e.*, within one year from date, we shall manufacture the following varieties of products:—. . . . rods $\frac{1}{4}$ inch."

The Board also received a copy of the agreement between the Companies, which had been settled in substance by 1923, though not

* Evidence, Vol. II, p. 76.
† *Ibid*, p. 81.

finally executed. The existence of this agreement seemed to afford a sufficient corroboration of the direct and unambiguous statements of both companies. From the beginning to the end of the first enquiry no hint was given that the manufacture of the wire rod required by Indian Steel Wire Products, Limited, might present difficulties, and the only doubt expressed was as to the precise date when manufacture would commence. Even this doubt seemed to be removed when the oral evidence was taken, for Mr. Walchand giving evidence for the Company said that the protective duty on steel rod "would not matter provided they do manufacture these by May, as they say, or even July 1924," and when asked whether he had any reason to think that they would not be able to supply, his answer was 'No'.

Evidence in this enquiry as to the manufacture of wire rod at Jamshedpur.

12. The diameter of the steel rod which the Iron and Steel Company stated they would manufacture in 1924 was ¼ inch, but the size of rod most convenient for the Wire Company is No. 5 gauge of which the diameter is ·207 of an inch. A mill designed to roll this class of rod was in the Greater Extension programme, but was eventually omitted, because the market for wire was found to be so limited that the heavy initial expenditure involved in the erection of a special wire rod mill could not be justified. But provision was made for rolling rods down to ¼ inch diameter on the merchant bar mill, in order that the wire market might be developed in a small way. The arrangements made were, however, apparently incomplete, for the Iron and Steel Company have informed us that a considerable sum will have to be spent on subsidiary equipment before the full requirements of the Wire Company in respect of ¼ inch rod can be met. In May 1922, Messrs. Perin and Marshall, who were the consulting engineers of both companies, drew attention to the fact that the Wire Company would require considerable quantities of No. 5 rod, and that they would be handicapped in competition with other producers by the extra cost of drawing down ¼ inch rod to No. 5 gauge. In the same month the Wire Company wrote to the Iron and Steel Company intimating that they had no objection to taking ¼ inch rod, provided the price to be fixed by the agreement was adjusted so as to cover their extra cost, which they estimated would be about Rs. 3 a ton. They suggested also that the agreement should leave them free to purchase in the open market any sections which the Iron and Steel Company were unable to supply. A clause was inserted in the agreement to cover the latter point but the former was left open. In a letter dated the 5th July 1922, to Indian Steel Wire Products, Limited, the Iron and Steel Company recorded the fact that—

> "Mr. Lalubhai Samaldas" (a member of the firm who are managing agents of the Wire Company) "has agreed to let the matter rest until we have actually tried to get No. 5 rod on our new mill. Our General Manager assures us that he will do his best to roll for your Company a No. 5 rod, or a rod very close to it in size."

It is quite clear from the correspondence that as early as 1922 the management of Indian Steel Wire Products, Limited, were aware—

(a) That the Iron and Steel Company were not equipped to roll rod of a smaller diameter than $\frac{1}{4}$ inch, and

(b) That though the Iron and Steel Company hoped to roll rod close to No. 5 gauge, there was no certainty they would succeed.

These facts were not placed before the Board in their original enquiry.

The agreement between the Wire Company and the Iron and Steel Company.

13. The agreement between the two companies binds the Wire Company to buy from the Iron and Steel Company all its requirements of the steel sections produced by the latter, and fixes the price to be paid, but there is no reciprocal obligation on the Iron and Steel Company to supply any particular section by any given date, or indeed at all. If they do not manufacture any particular section, the Wire Company is at liberty to purchase elsewhere. It escaped the notice of the Board in the original enquiry that in this important respect the agreement was unilateral, and attention was not drawn to the point by the Wire Company. When we learnt in this enquiry that the Iron and Steel Company were still unable to supply rod and could fix no date for doing so, our first impression was that there had been a failure to carry out a contract. For this reason it is necessary to emphasise the fact that the Wire Company does not claim that the Iron and Steel Company are under a legal obligation to manufacture and supply wire rod.

Correspondence regarding the date at which the supply of wire rod would commence.

14. The case of Indian Steel Wire Products, Limited, in the first enquiry was that the Iron and Steel Company had undertaken to supply steel rod by the middle of 1924. There are two letters from the Iron and Steel Company bearing on this point. The first of them is dated 22nd May 1923, and the relevant passage reads as follows:—

> "We expect to start our mill next year, but will not be able to supply the rods required by you before the middle of 1924."

The second, dated 25th September 1923, is similar in wording and intimates that—

> "We cannot guarantee to supply your Company with steel rods before the middle of 1924."

It is to be noted that both letters are negative in form and that no promise was given that wire would be supplied by a given date. Since the Wire Company had asked that the imposition of a protective duty on wire rod should be postponed until the Iron and Steel Company could supply it, it is perhaps unfortunate that the letters were not communicated to the Board who might then have made further enquiries from the Iron and Steel Company. But it is not

certain that the guarded phraseology employed would at that time have attracted attention or awakened doubts.

Recent undertaking by the Tata Iron and Steel Company to supply wire rod by July 1926.

15. All the evidence discussed up to this point might have been placed before the Board in 1923 in the original enquiry. There remains the question of the future. After the Board had taken the oral evidence of Mr. Capadia on behalf of Indian Steel Wire Products, Limited, in October 1925 a meeting was held of representatives of the two Companies at which the Iron and Steel Company gave a definite undertaking that in August 1926 they would be ready to supply ¼ inch rod. The management admit that a good deal of experimental work will be necessary, for they have not hitherto rolled anything smaller than a ⅜ inch rod, and had a good deal of difficulty with that, but they have no doubt of eventual success. On the other hand, the Wire Company are satisfied that, with their present plant, they can without difficulty draw down ¼ inch rod to No. 5 gauge, and they hope that the extra cost involved will be covered by an adjustment of the price fixed by the agreement. It would seem, therefore, that there is nothing to prevent the manufacture of wire from Indian steel in the near future. It still remains to consider, however, at what cost this result will be secured. On this point it is necessary to refer to the evidence given by Mr. Chew on behalf of the Iron and Steel Company in this enquiry.

Mr. Chew's evidence.

16. Mr. Chew explained that the merchant mill at Jamshedpur was designed for a very wide range of sections in order to cater for as many sizes as possible in the Indian market. Merchant mills in Europe and America usually rolled only a limited range of sizes, and the Jamshedpur mill was built to roll a larger range of sizes than any which the Morgan Construction Company had ever built before. The Iron and Steel Company had not up till now been able to operate it successfully and obtain substantial tonnages on sizes lower than half inch rounds. The rolling of wire rod would mean a substantial reduction of the merchant mill production, the minimum they could hope to roll at the start would be 15 tons a day and the maximum they could ever hope to roll would be about 40 to 50 tons a day. Rod rolling was a speciality and rod rollers required special training. The rod mills which were specially designed for the production of wire rod were driven at very high speed—at least double the speed of a merchant mill—their output would be much higher and the cost of production very much lower. There was no appreciable market for ¼ inch rods or round bars outside the requirements of Indian Steel Wire Products, Limited, and had it not been for the agreement with the Wire Company, they would not wish to roll rod or round bar below ½ inch diameter. The production of wire rod would mean a lower output, and higher costs in the merchant mill and the price fixed by the agreement was not a remunerative one. Mr. Chew explained that while the Iron and Steel Company were ready to carry out any obligation that rested on them under the agreement, equitably if not legally, the manufacture of wire rod

at present was not in their interests, and they would not contemplate it but for the agreement, and for the fact that the use of Indian steel was one ground for protecting wire and wire-nails.

Price payable for wire rod made at Jamshedpur higher than the price of imported rods.

17. In 1923, the average of the British and American f.o.b. prices for wire rod *plus* an addition of 10 shillings a ton was approximately the same as the cost of Continental wire rod delivered at Jamshedpur after payment of a 10 per cent. duty. This is no longer the case. If a 10 per cent. duty were substituted for the protective duty on rod—and the protective duty is nugatory for the price paid by the only purchaser is not affected by it—Continental rod could now be delivered at Jamshedpur at about Rs. 120 a ton, whereas the price fixed by the agreement is approximately Rs. 132 a ton. The immediate result of the manufacture of wire rod at Jamshedpur would be an increase in the cost of wire by Rs. 13 a ton and consequently in the amount of protection needed. If there were no question of protection it would be contrary to the interests of the Wire Company that wire should be made in India, for they could purchase it more cheaply from abroad.

Causes which render protection necessary.

18. We now turn to the evidence bearing on the question whether the Wire Industry can eventually dispense with protection. In order that the Indian cost of production may be compared with the European cost it is necessary to analyse the various causes which create the need for protection and ascertain to what extent each of them is responsible. If a bounty of Rs. 40 a ton is added to the Customs duty of Rs. 60 a ton the total protection enjoyed by the Wire Industry will be Rs. 100 a ton, which is 71 per cent. of the landed cost of imported wire. About one quarter of the protection needed may be ascribed to causes for which the Indian manufacturer is in no way responsible. The 10 per cent. duty on imported rod increases the cost of wire by Rs. 10 a ton, and the 10 per cent. wastage between rod and wire means an addition of about Rs. 2 a ton on account of sea freight and landing charges. Apart from these items, the organization of the German steel export trade involves a further sum of Rs. 14. The German steel syndicate grants to the wire makers a rebate of 17·5 marks per ton of 2,000 lbs. on the price paid for rod which is used in the manufacture of wire for export.* This means a reduction in the German cost of wire by about Rs. 13 a ton and it is the German price which dominates the export markets. The comparison we are making is between the cost of Indian wire at Jamshedpur and the price of imported wire at Calcutta, and the Indian manufacturer has to pay a railway freight of Rs. 15 a ton for conveying the rod he imports to Jamshedpur. This raises the cost of wire by Rs. 17 a ton. The balance of Rs. 58 a ton may be taken to be the present difference between the Indian and European cost apart from the cost of materials. If we assume that present wire prices leave little or no margin to the

* Iron and Coal Trades Review, 31st August 1925, p. 325.

Continental manufacturer after meeting his expenses—and this is probably not far from the truth—his costs above nett metal must be in the neighbourhood of Rs. 50 a ton, whereas the corresponding Indian cost, if the allowance for profit is eliminated, is Rs. 96 a ton. That the difference should be so great cannot but arouse apprehensions as to the future of the industry.

Difference between the cost of wire and the cost of rod in Europe and in India.

19. When the Board examined the cost of production in 1923, imported rod could be landed at Calcutta at Rs. 140 a ton and imported wire at Rs. 260, the "spread" being Rs. 120. The corresponding Indian cost was Rs. 126 made up as follows:—

	Rs.
10 per cent. wastage on material	17
Works costs above nett metal	65
Overhead charges	44
TOTAL	126

In the light of these figures the prospects of the industry were favourable, for a reduction of at least Rs. 20 a ton in the manufacturing costs might be expected as production increased. But the position is now changed. Imported rod can be landed at Calcutta at about Rs. 96 a ton and imported wire at Rs. 140, so that the "spread" is no more than Rs. 44, or if allowance is made for the rebate on export the real spread is about Rs. 57 a ton. The corresponding figures for Great Britain and America are Rs. 50 and Rs. 60 respectively, so that in this respect there is not much difference between the various countries. If the Indian Wire Industry is eventually to dispense with protection, all expenditure above the cost of a ton of rod must apparently be kept within the limit of Rs. 60 per ton of wire. The wastage of material accounts for Rs. 12 and the railway freight on the rod to Jamshedpur for Rs. 15, so that only Rs. 33 a ton is left to cover the works costs above nett metal, the overhead charges and the manufacturer's profit.

Jamshedpur an unsuitable location for a wire factory using imported rod.

20. We have referred in paragraph 19 to the high railway freight between Calcutta and Jamshedpur. If wire is to be made from Indian steel, Jamshedpur is unquestionably the best location for a wire factory, but if the steel must be imported, this is not so clear. Most of the wire made would probably be sold up-country, and for such sales a factory at Jamshedpur is not unfavourably situated. But the big market for wire-nails is in Calcutta, and here the Jamshedpur factory has the double disadvantage of the railway freight on the raw material and the return freight on the nails made from it, the two together amounting to about Rs. 32 a ton. The handicap is very great, and to enter the Calcutta market successfully would involve a serious sacrifice.

The circumstances of the Wire Industry abnormal.

21. The evidence which we have summarised in paragraphs 7 to 20, inevitably suggests certain questions. In the first place there is the question whether all the relevant facts then ascertainable were

brought to notice in 1923, and, if not, to what extent the responsibility for the failure rests on either of the two companies concerned or on the Board itself. Even more important are the questions whether the economical production of wire rod is possible in the rolling mills at Jamshedpur and whether, so long as the wire manufacturer is restricted to the use of imported rod, he can ever dispense with protection. We do not desire in this Report to express an opinion on any of these points, and it is right that we should explain the reasons which debar us from doing so. Our colleague, Mr. Ginwala, returned from leave when almost all the evidence had already been heard, and it was impossible for him on the two days on which he was present (28th and 29th October 1925) to participate fully in the oral examination of the witnesses, for he had not then had time to master the evidence previously taken or to realise all the implications of what had been said. It would have been possible to recall the witnesses for further examination so that Mr. Ginwala might have had a full opportunity of investigating every aspect of the case but we considered it preferable to adopt a different course. The terms of our reference in this enquiry limit us to the question whether supplementary protection should be given, and if so, to what extent and in what form. It is impossible within these limits to discuss adequately the evidence taken, for it raises the grave issue whether protection to the manufacturer of wire rod and wire-nails should be continued. That question demands a full examination in the statutory enquiry which is about to commence and can then be considered in all its bearings. If in this enquiry we were to formulate our views on the possibility of producing wire rod cheaply in India, or the ability of the industry, if restricted to the use of imported rod, to dispense with protection, we should incur the risk of prejudging an issue which is not properly before us. The points we have mentioned will be important in the statutory enquiry, but they are by no means the only ones to be considered. It will be necessary to take into account the importance of the industry from a national point of view, and the effect which the discontinuance of protection might have on the investor's confidence in the continuity of the Government policy, and consequently on his willingness to subscribe capital for protected industries. Questions like these are not relevant in this enquiry, but are both relevant and important in the statutory enquiry. We feel strongly that the opinion of the Board should be expressed on the case as a whole and not on a part only, and in justice both to the Wire Company and to the Iron and Steel Company they should have an opportunity of putting all their facts and arguments before the Board at a time when every aspect of the case can receive full consideration.

Supplementary protection not recommended.

22. Until the questions referred to in paragraph 21 have been explored, and this can only be done in the statutory enquiry, it is undesirable that the Government of India should incur further commitments in support of the industry. If as a result of the statutory enquiry, a decision adverse to the continuance of protection is

reached, all sums paid by way of bounty would be thrown away, for they would have done nothing to promote the development of the industry. If, on the other hand, it is finally decided that protection is to continue, it would be open to Government and to the Legislature, if they thought fit, to sanction the payment of bounties with retrospective effect from the date when the wire factory resumed operations.

The Board's conclusions.

23. Our findings regarding the grant of supplementary protection to the manufacture of wire and wire-nails are as follows:—

(1) The amount of the supplementary protection required so long as imported rod is used, is Rs. 40 a ton and Rs. 53 a ton from the date when the Tata Iron and Steel Company begin to supply rod.

(2) The supplementary protection, if given, should take the form of a bounty on production.

(3) Facts have been brought to light which suggest that, if protection for wire and wire-nails is continued after the 31st March 1927, it may be on the basis that the industry is a separate one using imported materials.

(4) Until this question has been examined, it is not desirable that Government should incur further commitments in support of the industry. We have therefore no recommendation to make for the grant of supplementary protection. But there is one measure which might justifiably be taken to remove a handicap under which the industry suffers at present and this demands separate discussion.

Exclusion of wire rod from the scope of the protective duty.

24. In view of the facts disclosed in this enquiry there is no justification for the retention of a protective duty on wire rod or indeed upon steel rod or round bar of less than ½ inch diameter. The demand for the smaller sizes is inconsiderable, the only purchaser who might take substantial quantities will pay a price unaffected by the duty, and the Tata Iron and Steel Company admit that the exclusion of these sizes from the scope of the protective duty would not prejudice the Steel industry. It is desirable therefore that the protective duty on wire rod should be removed.

Means by which the difficulty created by the protective duty on rod might be removed.

25. If this recommendation is accepted, it is unlikely that the necessary legislation could be undertaken until the cold weather of 1927, and meanwhile the wire manufacturer is at a serious disadvantage by reason of the high duty on rod. The duty levied at present (Rs. 40 a ton) is the rate applicable to "common merchant bar or rod," and the interpretation of this phrase has recently been considered by the Central Board of Revenue in a ruling which will be found in Appendix A. They accepted the view that the phrase means bar or rod of quality and dimensions commonly or regularly sold by merchants or middlemen in the open

market in India, and they found that tinplate bars were not "common merchant" bars in this sense. If the same test were applied to wire rod, it is possible that the decision might be the same. It was stated by Mr. Walchand, who gave evidence for Indian Steel Wire Products, Limited, in the first enquiry, that wire rod could not be used for any other purpose except the manufacture of wire and wire products, and in this enquiry it was stated by Mr. Young, who gave evidence on behalf of Messrs. Halley Brothers, Limited (see section III), that the rod imported for wire-drawing was brought out in coils, whereas the rod imported by dealers for general purposes is brought out in straight lengths. Both these firms import direct, and we have not heard of any other firm in India which makes steel wire. We recommend that the question whether wire rod can be classified as "common merchant rod" should be examined by the Central Board of Revenue. If their decision is in the negative, wire rod will no longer be subject to the protective duty but to a duty of 10 per cent. *ad valorem*. If, however, the decision is in the affirmative, it will be necessary, we think, to grant a special concession to Indian Steel Wire Products, Limited.

Proposed concession to Indian Steel Wire Products, Limited.

26. The Directors of the Wire Company have informed us that, in order to re-open the factory, they have imported 500 tons of steel rod on which they have had to pay the duty of Rs. 40 a ton. This payment has become necessary only on account of the inability of the Tata Iron and Steel Company to supply them with steel rod made at Jamshedpur, and if this had been foreseen, wire rod would have been specifically excluded from the scope of the protective duty. It is most undesirable that a protected industry should be handicapped by an accident of this kind, and we recommend that Indian Steel Wire Products, Limited, should be granted a rebate of the difference between the duty already paid and a duty calculated at 10 per cent. *ad valorem*. This rebate will be necessary whatever decision may be reached by the Central Board of Revenue, for the rod has already been imported and the duty paid. We recommend also that until 31st March 1927, the Wire Company should be allowed to import the rod they require subject only to a duty of 10 per cent. The Metallurgical Inspector at Jamshedpur could satisfy himself from time to time that the rod in respect of which the concession was given had been used for the manufacture of wire and wire-nails or was still in stock.

SECTION II.

Proposal for a higher duty on wire-nails than on wire.

Proposal to protect the manufacture of nails as a separate industry.

27. At the time of the Board's first enquiry Indian Steel Wire Products, Limited, were unable (and are still unable) to separate the cost of nails from the cost of wire and no other firm tendered evidence on the subject. In these

circumstances the Board proposed a uniform specific duty of Rs. 60 a ton on wire and nails alike and this rate was adopted in the Steel Industry (Protection) Act. The evidence of Indian Steel Wire Products, Limited, was to the effect that the nails were manufactured from wire by simple automatic machines, several of which could be looked after by a single workman, and that the additional cost incurred was quite small. The price of imported wire-nails, it was said, was about the same as that of wire and was sometimes actually lower. The reason for this was to be found in the fact that wire, which in one way or another was not quite satisfactory and could only be sold at a loss as wire, could be converted into nails and would then command a ready sale, because the same standard of quality was not essential. Two firms—the Pioneer Wire Nail Manufacturing Company, Calcutta, and the Punjab Wire Nail Factory, Lahore—who manufacture nails from imported wire have now proposed that either they should be allowed to import wire free of duty (or subject only to a 10 per cent. duty), or in the alternative that the duty on nails should be higher by Rs. 40 a ton than the duty on wire. These applications raise an entirely new issue which has not yet come before either Government or the Legislature, namely, whether the manufacture of nails deserves protection, not as a branch of the Indian Steel industry, but as a separate and independent industry. It is from this point of view that we have considered the applications.

Reasons suggested for the small difference between the price of wire and the price of nails.

28. Both of the applicant firms have challenged the evidence given by Indian Steel Wire Products, Limited, in the first enquiry. The Pioneer Wire Nail Manufacturing Company—which for the sake of brevity we shall refer to as the Calcutta firm—accept the statement that wire and wire-nails usually sell at about the same price, but deny that the fact can be explained by the use of waster coils or short lengths to make nails. On the contrary, it is claimed that the low price of nails is due entirely to deliberate German dumping. The Punjab firm asserts that the price of nails is ordinarily higher by £2 a ton than the price of wire, and agrees with the Calcutta firm on the other points. On the evidence tendered a definite finding is hardly possible, for the comparative prices of wire and of nails for any long period have not been ascertained, definite proof of German dumping is lacking, and none of the witnesses could speak from personal experience of the industry in Europe or America. The information available suggests, however, that on the average the price of nails is usually higher than the price of wire, though the difference between the two prices is too small to cover the cost of conversion. Neither of the explanations tendered seems fully to account for the facts. It may be quite true that wire, which is not up to standard, is often utilized to make nails, but the volume of nail production is very large and only a fraction of it can be made from inferior wire. In India, for example, the imports of nails are more than twice as large as the imports of wire. As to the alleged German dumping, it certainly existed before the war and there can be little doubt that the practice has

been resumed, but the extent to which the steel syndicates subsidize the export of nails is not known. The method adopted apparently is for the syndicates to pay a rebate to firms, who manufacture for export, of part of the price paid for the purchase of materials. In 1912, the rebate on wire rod was $11\frac{1}{2}$ marks per metric ton and on wire $16\frac{1}{2}$ marks, so that the difference between the export prices of wire and of nails would be narrowed by 5 marks, but the cost of making nails out of wire could not possibly have been as low as this. The rebate system is again in full operation and the rates in force have been published from time to time in the Iron and Coal Trades Review, but in a list which included as many as 16 items, the rebate paid to the exporters of nails was not included.

Low price of nails not due entirely to dumping.

29. The narrow difference between the price of wire and the price of nails has not, we think, been fully explained. It may be that in a European factory, where mass production is possible and the manufacture of nails is closely associated with the manufacture of wire, the cost of converting wire into nails would be very low. But we have been unable to ascertain the actual costs in such a factory, either in Europe or in India, and in these circumstances there is much room for conjecture. It is not necessary for our purposes, however, to examine these questions further. If the applicant firms had succeeded in showing that the low price of nails was due mainly to the German export rebates they might have a claim to protection against unfair competition. They have been unable to do this, and the extent to which the export of nails is subsidized is quite uncertain. Dumping is apparently only one of the causes why nails are sold at a price little higher than the price of wire, and some of these causes are not temporary but permanent. If nails are to be made successfully in India in the face of foreign competition, and if the industry is eventually to hold its own without protection, it must be possible to make nails in India very cheaply. It rests with the claimants for protection to show that this result is possible.

Manufacture of nails requires few workmen and no great technical skill.

30. Both the applicant firms are private concerns operating on a small scale. The Calcutta firm has two nail machines which are capable between them of turning out 8 tons of nails a month when working one shift of eight hours a day. The staff employed consists of one mechanic and one unskilled labourer, and for four machines the only addition to the staff would be one unskilled labourer. On this basis three men could produce 200 tons a year and if all the nails used in India (about 12,000 tons) were made locally, not more than 180 workmen would be employed. The Punjab firm has six machines which can produce between them a ton of nails in a single shift of eight hours. If the factory worked six days a week, the annual output would be 300 tons, the same rate of output per machine as in Calcutta. The staff required for this factory is said to be 14 men and on this basis 560 men could supply the whole needs of India. It is obvious from the figures given that the nail machines require very little attention, and that there is little skilled work to be done. This is a point of some importance.

The case for protecting an industry is strengthened if it can be shown that its development will provide employment for a large number of men and at the same time permit Indians to acquire industrial training and experience in skilled work. But the manufacture of nails possesses neither the one advantage nor the other. Some 300 or 400 men could produce all the nails that India requires, and since the machines are automatic, there will be little opportunity for the workmen to become proficient in mechanical work. The rapid development of the industry could not be of any great advantage to the country.

The Cost of Production.

31. Neither of the applicant firms is in a position to give the actual cost of production for any long period. The statement of costs submitted by the Punjab firm is hardly more than a rough estimate of what the cost might be, and the figure given is Rs. 68 a ton. The Calcutta firm has given the actual costs for two months in 1924 when the output of $9\frac{1}{2}$ tons as against a capacity output of 16 tons, the works costs being Rs. 43·5 a ton. On the basis of these costs the firm worked out an estimate of what the cost would be if the works were fully employed. This estimate is as follows: —

	Per ton. Rs.
Wastage of metal	11·0
Wages	7·0
Packing cases	12·5
Stores	3·2
Other charges	1·8
Total works costs	35·5
Depreciation	7·2
Total cost	42·7

This estimate is defective in that it contains no allowance for the cost of management and supervision or for interest on working capital. In a small concern which is looked after by the proprietor himself and the members of his family, management charges are sometimes ignored, but in a larger concern they would not be negligible and could hardly be less than Re. 1 a ton. If the working capital be taken as equal to the cost of four months output, it would amount to about Rs. 12 per ton, and the interest at 8 per cent. would be Re. 1. The total cost therefore would be Rs. 45 a ton. If the factory worked three shifts the charge for depreciation would come down to Rs. 2·4 a ton, and there might be some economy if the number of machines were larger, but the figures give no ground for believing that the cost can be brought down much below Rs. 35 a ton. There is also the return on fixed capital to be considered. The expenditure on buildings and machinery amounts to about Rs. 13,000. The machinery was bought at a time when prices were high and might be cheaper now, but it is not likely that the capital investment would be less than Rs. 10,000, which would be Rs. 100 per ton of output working one shift, or Rs. 33 working three shifts.

If the proprietor is to get ten per cent. on his capital, then under the most favourable conditions he must earn Rs. 3 a ton as profit. The nett result is that the Indian manufacturer cannot face world competition unassisted, unless the price of wire imported nails exceeds the price of wire by about Rs. 40 a ton.

A Nail industry using imported wire could never dispense with protection.

32. The figures given in the last paragraph make it clear that the third condition laid down by the Fiscal Commission is not satisfied, for it has not been shown that the industry can eventually dispense with protection. It would be wholly unsafe to assume that the price of imported nails will on the average exceed the price of imported wire by more than Rs. 20 a ton (the difference may be less than this), and the gulf to be bridged is very wide. It does not seem possible that the difference between the German export rebate on wire rod and the rebate on wire should be anything approaching Rs. 20 and the inability of the Indian manufacturer to meet foreign competition cannot be due solely or mainly to dumping. The natural inference is that for some reasons European costs are lower than Indian, and that large scale production makes for economy. If nails are to be made from imported wire, the only natural advantage India possesses is cheap labour. If the nails were to be made from Indian steel, the position would be modified, for the development of the industry would mean an increased use of indigenous materials. But there is no prospect at present of making nails from Indian steel, and it is worth while to consider what the consequences might be if the manufacture of nails were protected as a separate industry using imported materials. It is probable that nail factories would be established in various parts of the country in the large industrial centres and those in the ports would have an advantage over the Jamshedpur factory for they would not have to incur rail freight on their materials between the port and the factory; or on the finished product between the factory and its largest market. It is doubtful whether in these circumstances the Jamshedpur factory could survive. But whether it did nor not, the existence of a number of factories, necessarily dependent on imported wire, would make it more difficult to establish the manufacture of nails from Indian steel when the time for that development arrives. The industry would have grown up on unsound lines.

Protection not recommended.

33. Our finding is that no good grounds have been made out for protecting the manufacture of nails as a separate industry using imported materials. The industry, since it does not utilize Indian steel, has no natural advantages except cheap labour, its development would be of no substantial advantage to the country for the number of workmen employed would be small, and the opportunities for acquiring industrial experience and training inconsiderable, and if protection were once granted, it could never be discontinued. For these reasons we have no recommendation to place before the Government of India.

SECTION III.

Halley Brothers' application.

Halley Brothers' application.

34. Messrs. Halley Brothers, Limited, a Calcutta firm, commenced the manufacture of hackles in India in 1923. As explained to us by Mr. Young, who gave evidence on behalf of the firm, hackles are pins similar to large gramophone needles and are used for combing out or scutching the fibre in textile factories. In India the purchasers are chiefly the jute mills and the rope works, but hackles can be used in treating almost any coarse fibre except cotton. The hackles are fitted into wooden staves which are placed on the cylinders of the textile machines. When they become blunt the hackles are removed from the stave and fresh hackles substituted. The Indian consumption is said to be large and is estimated by Mr. Young to be about 500 tons a week. Halley Brothers complain that, whereas imported hackles are classed as machinery and pay duty at $2\frac{1}{2}$ per cent., the wire they import is subject to a protective duty of Rs. 60 a ton, which is a much higher percentage of the value of the finished product. The wire used is made of cast steel and cannot be made at present in India so that the protective duty on this class of wire serves no purpose. In their written representation they ask that the duty on imported cast steel wire may be reduced to $2\frac{1}{2}$ per cent.

Duty paid by the Indian manufacturer on the steel rod used in making hackles higher than the duty on imported hackles.

35. The c.i.f. cost of the cast steel wire imported for making hackles was given in the answers to the Board's questionnaire as Rs. 225 a ton, and the incidence of the duty as 18 pies per thousand hackles manufactured. The c.i.f. cost of imported hackles is about Rs. 1-6-0 per 1,000, and the duty at $2\frac{1}{2}$ per cent. would be 6·6 pies. In effect therefore, the Indian product had to bear a duty almost three times as high as the duty on the imported hackle. During the course of the oral examination, however, it appeared that there had been some misunderstanding as to the facts. The imported material of which the c.i.f. cost is Rs. 225 a ton is not wire but wire rod, though charged with duty as wire for some time after the passing of the Steel Industry (Protection) Act. Before the date of the oral examination the question had been settled by two rulings of the Central Board of Revenue which are reproduced in Appendix A. As a result of these rulings all rolled material (whether described as wire or rod) if of No. 8 B. W. G. (·165 of an inch) or of less diameter is classified as wire, and if over No. 8 B.W.G., as rod. The rod imported by Halley Brothers is No. 5 B.W.G. (about 7/32 of an inch in diameter), and is no longer subject to the specific duty of Rs. 60 a ton to which wire is liable, but to a specific duty of Rs. 40 a ton applicable to common merchant bar or rod. The incidence of this duty per 1,000 hackles manufactured is 12 pies or a little less than twice the duty paid on imported hackles.

36. At present Messrs. Halley Brothers import both rod and wire. They have set up a wire-drawing plant in which they draw down the imported rod to the exact size required for the particular type of hackle ordered by the purchaser, but they cannot deal with the whole output in this way. They propose to purchase additional plant, but have postponed the extension until the duty payable on wire rod has been decided. For the present, therefore, they must import a considerable quantity of wire as well as wire rod. This is inconvenient and expensive because about 300 different sizes of wire must be kept in stock. The incidence of a specific duty of Rs. 60 a ton on wire rod was found to be 18 pies per 1,000 hackles manufactured, but if wire is imported instead of rod, the incidence of the duty is lower, because a certain amount of wastage occurs in the process of drawing down rod to wire and a larger number of hackles can be made from a ton of wire than from a ton of rod. If the wastage be taken as ten per cent. the incidence of the duty per 1,000 hackles is 16·2 pies, or two and a half times the duty on 1,000 imported hackles.

Duty on wire used in making hackles higher than the duty on imported hackles.

37. A considerable part of the disadvantage complained of by Messrs. Halley Brothers has been removed by the rulings of the Central Board of Revenue under which the imported cast steel rod becomes subject to a duty of Rs. 40 a ton instead of Rs. 60. The remainder will disappear if effect is given to our recommendation in Section I of this Report that the duty on round bar and rod of less than half an inch in diameter should be reduced to 10 per cent. The amount of the duty would be Rs. 22-8-0 per ton of rod, and the incidence per 1,000 hackles would be $6\frac{3}{4}$ pies which is almost exactly the same as the $2\frac{1}{2}$ per cent. duty paid by imported hackles. In effect, therefore, the reduction of the duty on rod will secure to the Indian manufacturer of hackles equality of tariff treatment, for as soon as the additional wire-drawing plant is installed, he will be in the same position as he would hold if there were no duties at all. Meanwhile, however, he suffers under two temporary disadvantages:—

Disadvantage of Indian manufacturer will be removed by reduction of the duty on imported rod to 10 per cent.

(1) Until the duty on imported rod is reduced to 10 per cent. the duty paid by the Indian manufacturer on imported rod per thousand hackles is nearly twice as high as the duty paid on imported hackles.

(2) Until additional wire-drawing plant is installed the duty paid on imported wire per thousand hackles is two and a half times the duty paid on imported hackles.

38. In section I of this Report (Paragraph 25) we have alluded to the question whether wire rod should be classed as 'common merchant rod,' and have recommended that the question should be examined by the Central Board of Revenue. The cast steel rod used in making hackles has a high percentage

Rebate or remission of duty as a temporary measure not recommended.

of carbon (0·8) and since it is used only for very special purposes, it is not imported in the ordinary course of trade by dealers and middlemen. If the Central Board of Revenue decide that it is not 'common merchant rod,' the disadvantage in respect of rod will disappear. If the decision is in the opposite sense, we have considered whether, as in the case of Indian Steel Wire Products, Limited, we should recommend that, as a special concession, Halley Brothers should be allowed to import wire rod free of duty. The circumstances, however, are not identical. The manufacture of wire and wire-nails is a protected industry, and the manufacture of hackles is not. The difference between the protective duty and a 10 per cent. duty on the wire rod used at Jamshedpur is about Rs. 30 a ton and this sum is $21\frac{1}{2}$ per cent. of the c.i.f. price of wire, whereas the difference between the protective duty and a 10 per cent. duty on cast steel rod is only Rs. 17-8-0 a ton, and this sum is little more than 2 per cent. of the cost of imported hackles. It will be seen, therefore, that the reasons which could be urged for a special concession are much weaker. As for the wire imported at present owing to the inadequacy of the firm's wire drawing equipment, the manufacturer has no particular claim to a concession if he can make hackles more cheaply by importing rod and drawing it down. We may add that the administrative arrangements necessitated by a special concession would be somewhat complicated. It would be difficult, when there is a wide variety of sizes, to ascertain the quantity of wire used by the firm in making hackles during a given period, and it would be necessary on each occasion to ascertain separately the actual c.i.f. price of all the different sizes of rod and wire used in order to determine what the duty would have amounted to at 10 per cent. For these reasons we do not recommend that any special concession should be given to Messrs. Halley Brothers, Limited.

G. RAINY—*President.*

P. P. GINWALA } *Members.*
J. MATTHAI }

C. B. B. CLEE—*Secretary.*

14th April 1926.

APPENDIX A.

Customs Ruling No. 10 (269-1-Cus. 25) of the Central Board of Revenue, dated Simla, the 29th April 1925.

Iron and steel—wire and rod—classification under Tariff.

READ: reference from the Collector of Customs, Calcutta, No. 827, dated the 12th March 1925.

Question referred:—When applied to iron and steel, the term "wire" ordinarily refers to material produced by drawing or, more rarely, swaging and "rod" to material produced by hot rolling; but, by trade practice, the term wire is also applied to "rolled wire." The question is, at what limit of fineness does rolled iron or steel material cease to be admissible to the more favourable rate of duty prescribed for rod and become liable to assessment as "iron or steel wire."

Ruling.—(*i*) All material produced by drawing or swaging shall be classified as "wire."

(*ii*) Material produced by rolling, if under No. 6 B. W. G. (·203 of an inch) shall be classified as "wire"; and if of No. 6 B. W. G. or above, as "rod."

Corrigendum, dated 18th August 1925.

Customs Ruling No. 10 (269-1-Cus.-25) of the Central Board of Revenue, dated the 29th April 1925.

SUBJECT:—Iron and steel—wire and rod—classification under Tariff.

For clause (*ii*) in the Ruling, *substitute* the following:—

(*ii*) Material produced by rolling, if of No. 8 B. W. G. (·165 of an inch) or of less diameter, shall be classified as "wire," and if over No. 8 B. W. G., as "rod."

Order in Appeal No. 2 of 1925 of the Central Board of Revenue, dated the 2nd January 1925.

READ—Petition in appeal dated the 13th November 1924 of Messrs. Shaw Wallace & Co., Managing Agents, the Tinplate Co. of India, Ld., Calcutta, and attached copies of correspondence that has passed between that firm and the Collector of Customs, Calcutta.

READ :—Also the Collector's report in the case.

ORDER :—The appeal relates to the assessment of " sheet bars " as utilised for the manufacture of tinplate, and is against the Collector's decision that such sheet bars are assessable at Rs. 40 per ton under No. 151 of the Tariff Schedule, as " steel common merchant bar."

2. The appellants' claim that the term " common merchant " as applied to sheet should be interpreted as meaning steel of quality and dimensions commonly or regularly sold by merchants or middlemen in the open market; this claim appears to the Board to be correct. The Board further holds that the reference should be to markets in India; it is satisfied from the existence of market quotations in English trade journals that tinplate bars are regularly dealt in by merchants or middlemen in England, but is prepared to believe that no such dealings occur in India. The question therefore is whether the bars regarding which the appeal is made are or are not of the same quality and dimensions as " common merchant " bars. The firm urge that the bars intended for their use have to be rolled to exact dimensions and foot weights; this is doubtless true but it is not established that no bars of the same dimensions are sold in the regular trade. As to quality, the information before the Board is to the effect—

(*a*) that the composition of Continental tinplate bars (which are those mostly used) is identical with that of ordinary Continental bar; but that

(*b*) the tinplate bar is slightly uneven in section because it is not passed so many times through the rolls of the merchant mill as ordinary bar.

This last difference appears to the Board to constitute a real difference in quality; it is true that the difference will be difficult for any but an expert to detect in examination, but at present the circumstances of importation will certainly enable the Collector of Customs to decide in the case of any consignment whether such examination is necessary to check the declaration. Should a trade in bars so rolled spring up in the local open market, this order will have to be reconsidered as the term " common merchant " might then become applicable.

3. The Board notes that there are certain observations in Chapter IV of the second report of the Tariff Board referring to the possibility of a bounty on sheet bars used for tinplate making which make it clear that the Tariff Board, upon whose recommendations the tariff on Iron and Steel was closely based, did not contemplate the application of the protective duty to such bars. A reference to the intentions of the Board would not prevail when it was clear that the legislature had failed, designedly or otherwise, to give effect to those intentions, but is admissible when elements of doubt are present, as in the case now before the Board.

Finding.—Sheet bars such as are used in the manufacture of tinplates are assessable at 10 per cent. under No. 62 of the Tariff "steel, bar and rod not otherwise specified." In the tariff valuation schedule they fall under the entry "steel—bar and rod—all sorts not otherwise specified" and the assessment will therefore be *ad valorem.*

DEPARTMENT OF COMMERCE.

RESOLUTION.

TARIFFS.

Delhi, the 28th March 1925.

No. 38-T. (2).—The Government of India have received a number of representations to the effect that the development of certain industries in India is hampered by the fact that the duty on the finished article is lower than the duty on the materials which have to be imported for the manufacture of that article. A list of such representations is appended to this Resolution. The representations will now be referred to the Tariff Board. It is requested to examine these representations and any others of a similar nature which may be brought to its notice and to make such recommendations, whether general or special, as it thinks fit.

2. Firms or persons interested in the above enquiry should address their representations direct to the Secretary of the Tariff Board.

ORDER.—Ordered that a copy of the above Resolution be communicated to all Local Governments and Administrations, all Departments of the Government of India, the Director General of Commercial Intelligence, the Indian Trade Commissioner in London and the Secretary of the Tariff Board.

Ordered also that it be published in the *Gazette of India*.

D. T. CHADWICK,

Secy. to the Govt. of India.

List of representations.

No.	Applicant.	Manufactured articles or works.	Rate of duty to which now subject. *Ad val.*	Main complaint that materials are assessed at higher duties.		Subsidiary request.
				Articles.	Duty.	
1	Messrs. Halley Brothers, Limited, Calcutta.	Hackle making .	$2\frac{1}{2}$ per cent.	Cast steel wire .	About 28 per cent.	
2	The Punjab Wire Nail Factory, Lahore.	Panel pins, tacks, rivets, dowels, wire chains	10 per cent.	Wire from which they are made.	About 28 per cent.	Also for protection for wire nails.

QUESTIONNAIRE FOR MESSRS. HALLEY BROS. LTD., ISSUED ON THE 16TH SEPTEMBER 1925.

1. To what Indian industries do you supply hackles?

2. From what country do you import the cast steel wire used for making hackles?

3. What quantity of cast steel wire would your firm require annually if your output of hackles was equal to the full capacity of your works?

4. Would it be possible to establish a definite ratio between the consumption of cast steel wire and the production of hackles?

5. How do you propose that cast steel wire should be distinguished from other wire for Customs purposes?

6. Is it possible to distinguish between the cast steel wire used for making hackles and other wire by analysis? If so, what should be the specification of the cast steel wire?

7. If the payment of duty on cast steel wire at a lower rate were made conditional on the production of a certificate from the manufacturing firm, what form of certificate would you propose?

8. Can you suggest any other means by which cast steel wire could be distinguished for Customs purposes?

9. What is the present price (c.i.f. Calcutta) of the cast steel wire you import?

10. What is the incidence of the specific duty on the wire per hackle, or per any convenient number of hackles?

11. What is the present price (c.i.f. Calcutta) of imported hackles?

Letter, dated the 14th July 1925, from the Secretary, Tariff Board, to the Pioneer Wire Nail Manufacturing Company, Calcutta.

I am directed to acknowledge the receipt of your letter No. 71, dated the 9th July 1925, in which you request that the Tariff Board will again recommend protection for wire nails to the extent of Rs. 30 a ton in the form of bounties. You also refer to your application to the Director of Industries, Bengal, which has been forwarded to the Board by the Government of Bengal, in which you ask for a rebate of the protective portion of the Customs duty on the wire imported for the production of wire nails.

2. In reply I am to say that the protective duties on wire and wire nails as proposed by the Tariff Board in February 1924 and brought into force by the Steel Industry (Protection) Act were not intended to encourage the manufacture of wire nails as a separate industry from the manufacture of wire. This is obvious from the fact that the protective duties on wire and wire nails are identical. As the result of their second enquiry into the Steel Industry the Board recommended in November 1924 that an additional duty of Rs. 30 a ton should be imposed on steel wire as soon as the Indian Steel Wire Products Limited resumed operations and that the duty on wire nails should at once be raised from Rs. 60 to Rs. 90 a ton. If that recommendation had been accepted the firms manufacturing nails from imported wire would have secured temporarily an advantage owing to higher duty on the manufactured product than on the raw material, but this advantage would have disappeared as soon as the additional duty was imposed on wire. Since then the Board have received a representation from the Punjab Wire Nail Factory, Lahore, in which they ask that either:—

(*a*) The Customs duty on the wire they import for the manufacture of nails may be fixed at 10 per cent. *ad valorem*, or

(*b*) The Customs duty on wire nails and certain other production made from wire may be fixed at an amount exceeding by Rs. 40 a ton the duty on imported wire.

This representation, as well as those received from your Company, make it necessary that the Board should consider the question whether the manufacture of wire nails from imported wire deserves protection as a separate industry. This is a fresh issue on which no evidence has yet been taken. The protection already given is the protection believed to be required by firms manufacturing wire out of Indian steel and converting part of the wire they make into nails. The manufacture of nails is by such a firm an integral part of the Indian Steel Industry, but the manufacture of nails out of imported wire is in a quite different position.

3. In order to satisfy the conditions laid down by the Fiscal Commission it must be shown that the industry

(1) Enjoys natural advantages such as an abundant supply of raw materials, cheap power, a sufficient supply of labour or a large home market,

(2) Is one which without the help of protection either is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country, and

(3) Is one which will eventually be able to face world competition without protection.

When the claim put forward by your firm and by the Punjab Wire Nail Factory is examined in the light of these conditions grave difficulties at once become apparent.

4. It appeared from the evidence taken in the Board's first steel enquiry that, ordinarily, imported wire and imported wire nails sell at about the same price per ton, but that sometimes the price of nails is lower than the

price of wire. *The explanation of this fact was given by Mr. Walchand in his oral evidence in the first steel enquiry, *viz.*, that the wire and wire nails are made in the same factory, that in such circumstances the cost of conversion is very small, and that the inferior and waste wire, which could only be sold at a loss, can be used up in making nails. The nails are to a large extent a by-product, and it is not unnatural that their price should be no higher than the price of the wire out of which they are made. The cost of manufacturing wire nails out of imported wire was given as Rs. 35 a ton in Enclosure VII of your letter dated 20th October 1924 and is given as Rs. 40 a ton by the Punjab Wire Nail Factory. If that be so, it seems to follow at once that manufacture of nails as a separate industry from the manufacture of wire labours under a grave natural disadvantage. The firm which manufactures both wire and nails finds the cost of conversion negligible and can afford to sell the nails at the same price as the wire, while the firm which manufactures nails only cannot do so. In these circumstances the industry could never face world competition unaided and protection once given could not be withdrawn. In that case the conditions laid down by the Fiscal Commission are not satisfied.

5. There is another objection to granting protection to wire nails as a separate industry, for it is not clear that the establishment of the industry would benefit the country appreciably. If the nails are to be made from Indian wire that can best be done by the firms who make wire. If, on the contrary, the nails are made from imported wire, the only work which is done in India is the passing of the wire through automatic machines which require but little attendance and skilled supervision. The gain which can be set off against the cost to the consumer is very small indeed.

6. The Board are of opinion that unless a satisfactory answer can be found to the objections stated in paragraphs 4 and 5 (above) the claim to protection must fail. In these circumstances I am to say that they will be glad to receive your observations on what has been said. The objections to be met may be summarised as follows:—

(*i*) The manufacture of wire nails from purchased wire cannot be profitable, because it is cheaper to make wire and nails in the same factory.

(*ii*) If the protection is given to the manufacture of nails from purchased wire, it can never be removed, and one of the conditions laid down by the Fiscal Commission is not satisfied.

(*iii*) Protection to the manufacture of nails out of purchased wire does nothing to promote the development of India's natural resources, and there is no compensating gain to set off against the sacrifice made by the consumer.

I am to add that on hearing from you the Board will be ready to fix a date for the oral examination of a representative of your firm should you so desire.

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* *Vide* page 97 and onwards of Volume II of the evidence recorded in the first steel enquiry.

Letter from the Secretary, Tariff Board, to the Tata Iron and Steel Company, Limited, dated 7th October 1925.

I am directed to refer to your letter No. G. 1222-25, dated 30th September 1925, on the subject of the supply of wire rod by the Tata Iron and Steel Company to Indian Steel Wire Products, Limited.

2. When the Tariff Board recommended that a protective duty should be imposed on imported wire and wire nails, they did so in the belief that, soon after the Steel Industry (Protection) Act was passed, your firm would commence the manufacture of wire rod, and that the programme of the Greater Extensions included provision for the necessary plant and machinery. The Board recognise that under the agreement between the two Companies the Tata Iron and Steel Company are under no legal obligation to supply wire rod to Indian Steel Wire Products, Limited, by any particular date, or indeed at all. They appreciate also the force of reasons given in your letter for no attempting its manufacture at present. But the agreement could hardly have been drawn up, had there not been a definite intention to produce wire rod at Jamshedpur, and it was with surprise that the Board read you statement that—"Our merchant mill was never designed to roll No. 5 rod, and it has always been doubtful whether we shall be able to do so or not." If that be so the fact should have been disclosed at the time of the original enquiry both to Board and to Indian Steel Wire Products, Limited. It was never suggested at that time that there was any doubt as to the ability of the Iron and Steel Company to roll wire rod soon after the completion of the Greater Extensions, and the natural inference from the fact that the Company had entered into an agreement to supply such rod was that they were equipping themselves to do so. It now appears that unless additional plant is installed, no undertaking can be given that wire rod will be produced and the purchase of the new plant may have to be deferred until provision has been made for other and more urgent requirements at Jamshedpur.

3. The Board have now to deal with the case on basis that for an indefinite period the manufacture of wire and wire nails in India involves the use of imported wire rod or wire, and cannot be considered at present an integral part of the Indian Steel industry. Had the Board been aware of the real facts in February 1924 their recommendation might have been different and the question inevitably arises whether the continuance of protection is justifiable now that the true position has been disclosed. I am to say that the Board will be glad to consider any comments the Tata Iron and Steel Company may desire to make on this aspect of the case. It is desirable, they think, that the Company should explain more clearly why they entered into an agreement for the supply of a steel section for the production of which their plant was not designed, and why the doubts they entertained as to their ability to roll wire rod were not disclosed to the Board at a very much earlier date.

4. It is clear from your letter that, whatever the decision may be as to wire and wire nails, there is no justification at present for retaining the protective duty on imported wire rod. I am to ask that the Board may be informed at the earliest possible date what modifications should be made in the Tariff Schedule so as to exclude from the operation of the protective duties those sizes of rod which the Tata Iron and Steel Company are unable to manufacture. It will also be desirable that a representative of your Company should appear to give oral evidence on the point on some convenient date in the third week of October.

Witness No. 1.

THE INDIAN STEEL WIRE PRODUCTS, LIMITED.

A.—WRITTEN.

Statement I.—Representation, dated the 15th July 1925, regarding Wire and Wire Nails.

We have the honour to submit the following in respect of the recommendations made by the Indian Tariff Board regarding the protection to be given to the products (*viz.*, Wire and Wire Nails) manufactured by us at our Works at Jamshedpur.

According to the Steel Industries Protection Act, a specific duty of Rs. 60 per ton has been levied on the class of articles that we are manufacturing. In a subsequent survey of the situation and inquiry by the Tariff Board it was recommended that an additional duty of Rs. 30 per ton should be imposed on wire when we recommence working our factory. As our factory had closed down when this report was under consideration of the Government of India, this recommendation was not embodied in the second Bill.

In support of our contention we beg to quote *verbatim* the paragraph at page 41 of the Report regarding the increase of the duties on steel, to which we desire to invite your special attention.

"*Wire and Nails.*—Under the present Tariff, wire and wire nails are subject to a specific duty of Rs. 60 a ton. The amount was based on the difference between Rs. 260, the estimated landed cost per ton of imported wire (or wire nails) without duty, and Rs. 320 the estimated fair selling price of wire manufactured in India. Owing to the rise in the rupee sterling exchange the landed cost of imported wire, without duty, drops from Rs. 260 to Rs. 231 a ton. The additional duty required on both wire and wire nails is, therefore, Rs. 29 a ton or—for the sake of rounding—Rs. 30, *i.e.*, Re. 1-8-0 a cwt. It is unnecessary, however, that the duty on imported wire should be increased at present, as the only Company in India—equipped for the wire—Indian Steel Wire Products, Limited—has shut down its factory and is not manufacturing at present. If it should resume operations, the additional duty of Rs. 30 a ton should be imposed. Wire nails, however, are also produced by the Pioneer Wire Nail Manufacturing Company of Calcutta from imported wire, and we recommend that the duty on wire nails should be increased from Rs. 60 to Rs. 90 a ton. This Company's representation to us contains several other requests which are not relevant to our present enquiry, and these we have not considered."

We had to cease operating due chiefly to the paucity of working Capital and the severe Continental competition with which we have been confronted. We have now succeeded in getting financial assistance from the Bihar and Orissa Government which will enable us to run our Factory according to our previous anticipations. The chief obstacles at present in the way of our doing so successfully are the following:—

1. The rise in the rupee sterling exchange has acted further to our detriment since the preparation of the last Report of the Tariff Board.
2. The prices of the imported wire and nails against which Protection was sought to be granted have been continually going down with the result that they have now reached the low level of Rs. 10 per ton, Rs. 11 per cwt., *i.e.*, Rs. 200 to Rs. 220 per ton which means a reduction of Rs. 120 to Rs. 100 in the estimated fair selling price of Rs. 320 per ton arrived at by the Board.
3. The present c.i.f. price (*i.e.*, the landed cost without duty) of our products is in the neighbourhood of Rs. 7 per cwt., which is equivalent to Rs. 140 per ton; the estimated landed cost per

ton of imported wire without duty was taken by the Tariff Board at Rs. 260 per ton; the present difference between Rs. 260 and Rs. 140 amounts therefore to Rs. 120 per ton. *i.e.*, Rs. 6 per cwt.

Acting on the grounds covered by the Tariff Board the present difference works out as follows:—

Rs. 320 the estimated fair selling price per ton of wire manufactured in India.

Rs. 140 the landed cost per ton of imported wire without duty.

Rs. 180 per ton, *i.e.*, Rs. 9 per cwt.

We therefore request that in view of the altered circumstances referred to above, either a specific duty Rs. 9 in all per cwt. or an additional duty of Rs. 6 per cwt. should be levied on imported wire and wire nails, or that bounty to that extent be granted to us if that method be deemed expedient. We on our part would prefer the latter course to be adopted, as the consumers of wire will not be adversely affected thereby.

We have further to inform you that we have got out a new Manager for our Works who has varied experience extending over 28 years in the manufacture of wire and nails and that we have also made arrangements to equip ourselves with some more nail machines and up to date wire drawing blocks (with continuous system) which will enable us to turn out better quality and quantity of production.

We have also planned to start our Galvanising Plant and are at present buying materials to work the same.

We have therefore every hope of making the business a success if we are backed up in our efforts by the Government to resist the present crushing Continental competition and the lowering of the rupee price on account of the exchange value of sterling going down.

In conclusion, we have to urge that full effect be given to the measure of protection originally intended by the Act and that such protection should be for the entire period of the Act.

Statement II.—Further representation, dated 18th July 1925, regarding Steel rods.

We beg to submit the following representation regarding the effect on our industry of the duty of Rs. 40 per ton on steel rods which the Government of India have decided to levy in accordance with the recommendations made in your first report on the subject of the grant of protection to the steel industry.

These rods form the principal raw material for the manufacture of wire and wire nails. We give in Appendix I the specification of the chemical composition of the rods required for the purpose of manufacturing steel wire and wire nails. When the duty was imposed it was anticipated that the Tata Iron and Steel Company which had entered into an agreement with our Company for the supply of such rods would be able to manufacture as per specification the quality likely to be required by us (*vide* page 64, paragraph 112 of the First Report and page 201, paragraph 6 of Annexure B of the Third Report). It will be seen from a copy of the letter of the Tata Iron and Steel Company (Appendix 2) that they are not yet in a position to supply us with rods according to their contract with us.

The present c.i.f. price of rods works out at Rs. 8 per cwt. including the duty of Rs. 40 per ton. We attach hereto copies of the recent cable quotation we received from Tata Limited, London, and also our letter to them on the subject (Appendix 3).

The cost of manufacturing these rods into wires has been put down at Rs. 65 per ton as works cost (page 208 of the Report), while supervision, depreciation, etc., are put down at Rs. 44 per ton (page 207). The total manufacturing cost thus is likely to be Rs. 109 per ton, *i.e.*, about Rs. 5-8-0 per cwt.

If this figure is added to Rs. 8 per cwt. (the price of rods at Calcutta) the cost of the wire works out to Rs. 13-8-0 per cwt.; the selling price of such wire at Calcutta varies according to the qualities from Rs. 10 to Rs. 12 per cwt. Taking the average at Rs. 11 and not taking the freight to Calcutta into consideration, it will be seen that there is a clear loss to the Company of Rs. 2-8-0 per cwt.

We therefore urge that relief should be granted to us by exempting from this duty of Rs. 40 per ton, the rods required by us for the manufacture of wire and were nails till such time as the Tata Iron and Steel Company is in a position to manufacture such rods for our consumption. Unless this relief is granted, we will not be able to work on imported rods, and as we are now, owing to the assistance of the Bihar Government, in a position to start work immediately, we will be either losing money on manufacturing or needlessly incurring expenditure on the salaries of the staff and allowing the plant to remain idle and rust.

We are given to understand that for somewhat similar reasons the Indian Cable Co., Ld., at Jamshedpur have been allowed to import electrolytic copper rods free of duty or at a reduced rate of duty.

APPENDIX I.—Specification.

Wire Rods to be of Open Hearth.

Steel Analysis:—

C.	·10 to ·18
S. under	·05
P. under	·05
Mn.	·35 to ·55

distributed as follows:—

No. 1 S.W.G. (·300) C 10 per cent.	50	tons.
No. 3 S.W.G. (·252) C 10 to 15 per cent.	50	tons.
in coils	300	lbs. each.
No. 5 S.W.G. (·212) C 10 per cent.	650	tons.
No. 5 S.W.G. (·212) C 15 per cent.	250	tons.
in coils	150	lbs. to 300 lbs. each.

The wire rods to be free from slivers and fins both ends trimmed and bundles properly tied to be used for wire drawing purposes.

The wire rods when ready for delivery are to be examined and passed by our representatives.

Delivery to be in 100 tons of wire rods per week.

APPENDIX 2.

Copy of letter No. S.-12717-25, dated 1st June 1925, from the Tata Iron and Steel Company, to Mr. Capadia of the Indian Steel Wire Products, Limited.

Your 276-25 of the 21st May. I understand Mr. Ditson has seen Mr. Alexander, who has explained the position to him. To roll rod of the size you require will require the operation of the small mills of the Merchant Mill. This is being arranged for, but the works estimate that it will take at least three months before they can set out to roll this section, and it remains to be seen what success they have.

We are having difficulty in rolling $\frac{3}{8}''$ rods at present; so we have first to get down to $\frac{5}{16}''$ and $\frac{1}{4}''$ and then to your section. All this has been explained to Mr. Ditson, who will, we hope, be able to find rod for his immediate requirements from among the stock belonging to the Hume Pipe Company.

APPENDIX 3.

THE INDIAN STEEL WIRE PRODUCTS LIMITED.

Wire Rods.

Tata Ltd.'s Cable quotation c.i.f. Calcutta—£7-6-0 per ton.

Exchange at 1*s.* 6*d.*	Rs. 97-5-4 per ton.
Customs duty	Rs. 40-0-0.
Haulage and clearing charges, etc., at Calcutta	Rs. 5-0-0.
Railway freight from Calcutta to Jamshedpur	Rs. 15-0-0.
TOTAL .	Rs. 157-5-4

Add buying commission and incidental charges, say **Rs. 160 per ton,** *i.e.*, Rs. 8 per cwt. at the works.

THE INDIAN STEEL WIRE PRODUCTS, LIMITED.

London,
Dated 30th June 1925.

Wireforms,

Bombay.

Your 355. Best offer your specification wire rods £7-6 c.i.f. Calcutta. Please remit funds with order.

Tata Limited.

Copy of letter, dated 4th June 1925, No. 355-25, from Messrs. Lalubhai Walchand Capadia & Co., to Messrs. Tata Limited, London.

We shall thank you to institute enquiries on our behalf and to canvass bids for Wire Rods in the English, American, Belgian and German mills or any other suitable market.

Our requirements are for 1,000 tons of Wire Rods of the best and superior stuff complying with the details of our specification enclosed herewith.

Delivery should be given as early as possible at Calcutta c.i.f. in lots as follows:—

1st delivery 300 tons.

2nd delivery (one month after 1st delivery) 300 tons.

3rd lot 400 tons, one month after 2nd delivery.

Will you please let us know by cable what you consider to be the best and cheapest quotation which satisfies our requirements as to quantity and quality as stated in our specification, keeping the offer open for a fortnight.

Specification.

(Same as Appendix I.)

Statement III.—Supplementary information submitted by the Indian Steel Wire Products Limited on the 25th September 1925.

We beg to acknowledge receipt of your letter No. 500, dated the 10th instant intimating to us the chief points to which the oral examination will be directed.

As desired in paragraph 2 of your letter, we give below the f.o.b. prices of wire rods for each of the four important countries that send wire rods to India from January to August 1925. These prices are taken from the "Iron Monger."

1925.	British.	American.	Belgian.	German.
	(£1=$4·85)			
January . .	£11-10-0 to	£ 9-17-11 ($48)	£7- 2-6	£6-17-6
February . .	£11- 0-0 to £11-10-0	£10- 6- 2 ($50)	£7- 2-6	..
April . .	£ 9-10-0 to £11- 0-0	£ 9-17-11 ($48)	£7- 0-0	..
May . . .	£ 9-10-0 to £11- 0-0	£ 9- 9- 8 ($46)	£6-12-6	£6- 2-6
June . .	£ 9-10-0 to £11- 0-0	£ 9- 9- 8 ($46)	£6- 5-0	..
July . .	£ 9-10-0 to £11- 0-0	£ 9- 9- 8 ($46)	£6- 5-0	£5-12-0
August . .	£ 9-10-0 to £11- 0-0	£ 9- 5- 6 ($45)	£6- 0-0	£5-13-0

With reference to paragraph 3 of your letter, we give below the latest information that we have been able to obtain from our Selling Agents at Calcutta. They say that "the c.i.f. Calcutta prices of 1″ to 6″ wire nails that have recently come into the market vary from 11*s.* to 11*s.* 6*d.* per cwt; wire is being imported at 10*s.* per cwt. c.i.f. Calcutta. Wholesale market rates for wire and wire nails are Rs. 9 and Rs. 10 per cwt. respectively. Even at this rate there are no buyers just now."

Continental manufacturers are able to sell their goods at such low prices notwithstanding the import duty on account of the following facts:—

(1) Huge quantities of scrap being available since the war, many firms have found it cheaper to buy scrap for the manufacture of rods on a considerable scale. The low prices of these rods help the wire and nail manufacturers in reducing the cost of their finished products.

(2) The nail manufacturers very often utilise wire scrap and thus reduce their cost of production, so that they are able to sell wire nails at almost the same price as wire.

(3) The market prices are nowadays controlled in each country by national Syndicates or by close working arrangements amongst the manufacturers, that is subsidising the exports of finished products.

(4) In Germany the home trade agreement between Iron and Steel producing firms and the finishing industries makes it easier for the latter to get from the former their raw materials which they want to convert into finished products for exporting to foreign countries at so called world market prices which are much lower than market prices. In support of the above statement we beg to quote the following from the Iron and Coal Trades Review dated 5th June 1925 (page 924):—

"The finishing branches of the metallurgical industry have frequently complained of the high cost of production and the difficulties which they experience in competing in the world's markets. It is now announced that the iron

and steel producers have decided to afford them a certain amount of relief in this respect by conceding a bonus on the export trade. For this purpose a committee of the Steel-Ingot Syndicate on the one hand, and the Association of Machine Construction Works and the Federation of the Iron and Steelware Industry on the other, have entered into an agreement according to which the members of the two Associations will be supplied with materials at the world market prices on the production of proof that the materials are required for working up into export manufactures. The idea is to give bonus certificates to consumers for the difference between the inland price and the world-market price, and the amount of which would be paid by the Syndicate to its customers at the cost of the Syndicate. It is proposed to form a joint committee to ascertain the average world prices for the time being. It is generally considered that the agreement represents a very accommodating attitude on the part of the Syndicate, while at the same time the latter stands to gain an increased turnover from the indirect promotion of the export trade in this manner."

It is also reported that a similar agreement with the pig iron Syndicate is under contemplation. If this is brought into existence it will further help the manufacturers to reduce their selling prices for the purpose of capturing foreign markets. *Vide* Iron and Coal Trades Review of 17th July 1925, page 92.)

We give below the figures of rebates granted by the Syndicate on wire rods per metric ton (*i.e.*, 2,000 lbs.):—

(*Iron and Coal Trades Review of 31st July 1925 and 28th August 1925, pages 185 and 325.*)

July . . .	12	Marks, *i.e.*, 12*s.*
August . .	13	Marks, *i.e.*, 13*s.*
September . .	17·50	Marks, *i.e.*, 17*s.* 6*d.*

These rates of premiums or rebates on the production of export manufacturers and the other trade facilities given to the manufacturers tend to reduce the cost of production to such an extent that they are able to sell their products in India at a very low price and thus kill or at least hamper the progress of similar industries in this country.

With reference to paragraph 4 of your letter under reply asking our opinion regarding the alternative proposal made by the two firms manufacturing nails to exempt them from the payment of the Customs duty on wire we have to say that this course will adversely affect us as under our agreement with the Steel Company it is stipulated that we should buy rods for the first five years at the mean f.o.b. English and American prices plus 10*s.* per ton to cover duty and all other charges. On the other hand these Companies will be able to import Continental Wire, *i.e.*, their raw material for the manufacture of their nails at a much cheaper price than what we would have to pay owing to the big difference prevailing between the English and the Continental prices. They will thus obtain considerable advantage over us in the manufacturing costs of nails and will be able to undersell us to that extent.

As our factory has been practically closed since the second Steel inquiry we are not in a position to furnish you with detailed information as to the actual costs of production of wire and wire nails as at present nor as to the costs of materials or stores (included in the list printed at page 86 of Volume II of the evidence recorded in the first Steel Enquiry) as worked out per ton of wire as we have not had any occasion since then to buy these materials.

We have engaged a new Manager whose experience in the line extends over twenty-eight years. With a view to make further economy in the manufacture of wire we have ordered some up-to-date wire drawing machines with a continuous system and also nail machines of the latest type. We expect the shipments before November.

We have also succeeded in raising a loan of Rs. 5 lakhs from the Bihar and Orissa Government in addition to Rs. 2,90,000 from other sources which will serve as our Working Capital.

In spite of all the necessary arrangements made by us to re-start manufacturing it would not be profitable for us to do so until the Tata Iron and Steel Company manufacture Wire Rods suitable for our purpose or unless Government reduce the duty on imported rods so that we might buy Continental rods till rods are manufactured by the Tata Iron and Steel Company and manufacture Wire and Wire Nails therefrom.

Statement IV.—Statement handed in by the Indian Steel Wire Products, Limited, on the 6th October 1925.

Invoices.	Wire.				Nails.			
	Per ton.		Per cwt.		Per ton.		Per cwt.	
	£ s. d.	Rs. A. P.	£ s. d	Rs. A. P.	£ s. d.	Rs. A. P.	£ s. d.	Rs. A. P.
	c. i. f. Calcutta Quotations.							
Herbert Ihle, Hamburg (Germany) (K. Paul & Co., Calcutta).	..	..	..	..	11 15 0	156 10 8	0 11 9	7 13 4
Renquet and Lison Cherleroi, (Belgium) (K. Paul & Co., Calcutta)	8 15 0	116 10 8	0 8 9	5 13 4	10 5 0	136 10 8	0 10 3	6 13 4
Gibbon & Co., London (German material) (Gibon Krishna Dhang, Calcutta).	10 5 0	136 10 8	0 10 3	6 13 4	..	..	..	..
Gibbon & Co., (Belgium) (Manilal Sheth & Co., Calcutta).	9 17 0	131 5 4	0 9 10	6 9 0	..	..	..	..
Gibbon & Co., Glasgow (German material) (Manilal Sheth & Co., Calcutta).	..	..	..	..	11 12 6	155 0 0	0 11 7½	7 12 0
	Quotation f. o. b. any Continental Port.							
A. H. Crett & Co., London (K. Paul & Co., Calcutta) (Continental material).	8 0 0	106 10 8	0 8 0	5 5 4	10 0 0	133 5 4	0 10 0	6 10 8

Statement V.—Letter dated 27th October 1925, from the Indian Steel Wire Products, Limited.

In continuation of our last letter No. 792 of the 25th September 1925, and of the oral evidence given by our representative Mr. Capadia before the Tariff Board, we have under the instructions of our Board of Directors the honour to submit this supplementary representation.

During his oral evidence the attention of our representative was drawn to the following four points that needed further investigation and elucidation:—

1. Whether our Company will be able to get within a specified time the requisite quality of Steel rods from the Tata Iron and Steel Company, Limited.

2. If such Steel rods cannot be given for some time by the Tata Iron and Steel Company, Limited, and if our Company have to import rods for drawing wire and manufacturing wire nails, whether it is necessary to remove the entire import duty on such rods.

3. Whether our Company will be able to manufacture wire and wire products at competitive prices within a period of about 3 or 4 years if Government grant them adequate protection for such period.

4. Whether it is necessary to reduce the manufacturing costs of the Company's products from those estimated by the Tariff Board in their first report and if so to what extent.

1. It seems there has been some misunderstanding regarding the letter No. G.-1222, dated the 30th September 1925, written by the Tata Iron and Steel Company, Limited, to the Tariff Board. In the second paragraph of the letter it is said: "We may be able to supply No. 5 rod to the Indian Steel Wire Products Company some time in the future, but do not care to make any definite promise. Our Merchant Mill was never designed to roll a *No. 5 rod* (the italics are ours) and it has always been doubtful whether we shall be able to do so or not." It will be seen from the above quotation that what the Tata Iron and Steel Company, Limited, meant to convey was that they were doubtful whether they will be able to supply the *No. 5 rod* the diameter of which is ·207″ as compared to the quarter inch rod usually known as No. 4 for manufacturing which we understand the Tata Iron and Steel Company, Limited, has the requisite plant, and which they will be in a position to give us within a reasonable period. We presume their representative will inform the Board in his oral evidence about the approximate date when his Company will be able to give the quarter inch rods required by us. While at Jamshedpur our Board made enquiries from the new Works Superintendent about the suitability of our present plant to draw No. 5 rod from the quarter inch rod which will be supplied to us by the Tata Iron and Steel Company, Limited. He told us that it would not be necessary to put up any additional machinery to draw the quarter inch rod into No. 5 rod. We showed our plans and specifications of the existing plant to the General Manager of the Tata Iron and Steel Company, Limited, who had already visited our Factory and asked him if he agreed with our Works Superintendent. He said that in his opinion our present plant was quite suitable for the purpose of drawing the quarter inch rod into No. 5 rod. This process will mean an increase in our manufacturing costs. As regards the amount of that increase we were told by our Consulting Engineers that the extra cost will come to about Rs. 3 per ton. Our Works Superintendent considers this approximately correct, but in the absence of any data based on actual working of the plant he is not in a position to give any definite figure for the cost of this process. We are inclined to think that the process will be more expensive than estimated by our Consulting Engineers and for the purpose of our calculation we propose taking it at Rs. 5 per ton. This amount will have to be added to the cost of production unless the Tata Iron and Steel Company, Limited, reduces the price of the quarter inch rod by Rs. 5 from the price of the No. 5 rod. We hope to get this reduction from the price of No. 5 rod from the Tata Iron and Steel Company, Limited, as during the

previous correspondence between the two Companies stress has been laid on the difference in the prices of the two qualities of rods. The Board will not, we trust, be satisfied that within a reasonable period we will be able to manufacture wire and wire products from indigenous raw material.

2. In view of the fact that the Tata Iron and Steel Company, Limited, is not in a position to give us the quarter inch rod for some time yet and of the further fact that we will have to import rods to manufacture wire and wire nails, we have the honour to request that the duty on imported rods should either be removed altogether or that a rebate equivalent to the duty be given to our Company for the rods which we may use for our manufactures. This principle we believe has been accepted both by the Tariff Board and by the Government and we hope our request will meet with the approval of the Tariff Board and will be submitted to Government for favourable consideration with their recommendation.

The abolition of this duty will have to be only till the Tata Iron and Steel Company, Limited, are able to give us the quarter inch rods. Supposing that period to be one year from now, the duty will have to be remitted for ten months only, as it will take us at least two months to get the imported rods and begin our manufacturing work. As the total quantity of rods used by us during these months will not most probably be more than 2,500 tons, the protective duty on this tonnage will come to one lakh rupees, out of which the old revenue duty of 10 per cent. will come to about Rs. 22,500. As there will be no necessity for any protective duty on the kind of rods required by our Company as raw material, it will have to be removed in any case and any reduction in Customs income due to such abolition should not be looked upon as a real loss. In this connection we desire to say that the protective duty levied during the last 18 months has not penalized the country. The proceeds of this duty have been utilized in helping the nation building departments of the Provinces. Really speaking it is the consumers that have paid this extra duty and the advantage of the increased revenue has gone back to the country in some shape or other. Thus the country as a whole has not been mulcted but if anything has been benefited to the extent of the duty paid by the consumers.

3. The third point is perhaps the most important one that needs full explanation; for we realize that if we want to get the Government of India and the Legislative Assembly to grant our Company adequate protection for 3 to 4 years we must satisfy them that the Company will be able to face outside competition at the end of that period without any protection. In this connection we desire to inform the Board that we have ordered two continuous wire drawing plant of an up-to-date type and three wire nail manufacturing machines. When these machines are set up and begin to work, our monthly production will go up to 350 tons with one shift on, at 70 per cent. efficiency. A statement showing the details of the same is appended herewith marked "A." Owing to the increased production our overhead charges per ton will be reducd. Our wage cost will also be reduced as the new plant will be worked more economically. The prices of stores including Sulphuric Acid have gone down and will lead to a reduction in our manufacturing cost. Moreover our Galvanizing plant will also now begin to operate and we hope to be able to sell our Galvanized wire to the Railways and to the Telegraph Departments at a profitable rate. We believe therefore that we are justified in hoping that if we are granted sufficient protection for the next 3 or 4 years we will be able to manufacture wire products at about competitive prices. As we have been able to secure a debenture loan from the Bihar and Orissa Government and have under the advice of their representative reduced our share capital and brought a new nail expert we request that we might be given a sporting chance to live and thrive.

4. The present c.i.f. price of imported rods is about Rs. 90 per ton. If to this are added Rs. 5 for landing charges and Rs. 15 for freight from Calcutta to Jamshedpur the cost of raw material of imported rods will be Rs. 110. To this 10 per cent. will have to be added for wastage, thus bringing the

total to Rs. 121, *i.e.*, Rs. 110 *plus* Rs. 11. This means a reduction of Rs. 66 in the cost of the raw material if the whole of the import duty is removed.

The works cost has been put down in the Tariff Board's report at Rs. 65. After going through the available figures of the present prices of stores and coal we think we are justified in reducing the figure by Rs. 6-8 and bringing the cost to Rs. 58-8-0.

The overhead charges have been taken in that report at Rs. 10,924. This item includes (*a*) Depreciation Rs. 4,424, (*b*) Interest on working Capital Rs. 2,500, (*c*) Head Office expenses Rs. 3,000 and (*d*) Miscellaneous Rs. 1,000. As we have written down our block account there will be an appreciable reduction in the depreciation charges; similarly as the Company is to be registered in Bihar and the office brought at Jamshedpur, there will be a reduction in the Head Office expenditure. On the other hand as we have been obliged to raise a debenture loan of Rs. 7,90,000 there will be an increase in the interest charges. A statement marked " B " giving full details of these alterations is appended hereto. We give below the summary of the same:—

	Rs.
Depreciation	2,975
Interest	5,000
Head Office	2,250
Miscellaneous	1,000
	11,225 per month.

As stated above it is expected that the factory will after the new machines have been set up be able to turn out 350 tons per month of finished products. Supposing that this efficiency is not reached within the next two years we are justified in expecting 300 tons to be our monthly output. If we divide Rs. 11,225 by 300 we arrive at the amount of overhead charges per ton. This figure comes to Rs. 37-8-0. The total manufacturing cost will thus be:—

	Rs.	A.	P.	
Raw Materials	121	0	0	without any duty
Works cost	58	8	0	
Overhead charges	37	8	0	
	228	0	0	
Profit	12	8	0	
TOTAL	241	0	0	

If Government decide to levy the 10 per cent. old revenue duty the cost will be increased by Rs. 9 and comes to Rs. 250 per ton.

Although our Selling Agents have informed us that import steel wire is being sold in Calcutta at Rs. 8 to 9 per cwt. as the Tariff Board has expressed a desire to take c.i.f. prices of wire as basis for the purpose of calculating the amount of protection we are submitting our demand on that basis. Taking c.i.f. invoice price at 10*s*. per cwt., *i.e.*, £10 per ton at the present rate of exchange, the price in rupees will come to Rs. 130 per ton; Rs. 60 of duty added to it brings it to a total of Rs. 190. Our manufacturing costs as shown above will be Rs. 241 if no import duty on rods is levied. We beg to suggest that our industry should be given a further protection of Rs. 51 per ton. If, however, Government decide not to remove the whole import duty on rods, but only the protective duty, then this figure will have to be increased by Rs. 9, making it Rs. 60 per ton.

Enclosure 1.

STATEMENT "A."

Capacity of 12 Block Wire Drawing Bench.

(*a*) Speed of blocks $\left\{\begin{array}{l}\text{40 R. P. M. for blocks I and II.}\\ \text{50 R. P. M. for blocks III to XII.}\end{array}\right.$

(*b*) Diameter of blocks 24″.

(*c*) Circumference of blocks $24\times\frac{22}{7}=\frac{528}{7}=76''$ nearly.

Theoretical length of wire that can be drawn per hour on blocks I and II each	$\frac{76}{12}\times40\times60$ ft. = 15,200 ft.
Theoretical length of wire that can be drawn per hour on blocks III to XII .	$\frac{76}{12}\times50\times60$ ft. = 19,000 ft.
Length of wire that can be drawn on blocks I and II for one shift of 8 hours .	15,200×8=121,600 ft.
Length of wire that can be drawn on blocks III to XII for one shift of 8 hours	19,000×8=152,000 ft.

Explanation.

(*a*) Block No. I will draw from ¼″ 3G to 5G, to supply 5G wire to the 2 Sleeper and Hartley continuous machines.

At 70 per cent. efficiency we can draw about 8,800 lbs. of wire from these 2 machines.

(*b*) The remaining blocks can be separated into 3 sets for drawing down the ¼″ 3G rods to 10G and 12G.

(*c*) 10G wire from 3 sets at 70 per cent. efficiency:—

$$\left.\begin{array}{l}\text{Set I}=6{,}435\text{ lbs.}\times70/100\\ \text{Set II}=6{,}435\text{ lbs.}\times70/100\\ \text{Set III}=6{,}435\text{ lbs.}\times70/100\end{array}\right\}=13{,}513\text{ lbs.}$$

12G wire from 3 sets at 70 per cent. efficiency—

$=4{,}256\times3\times70/100=8{,}938$ lbs.

∴ Total quantity of wire of 10G and 12G for one shift of 8 hours . . . $\left\{\begin{array}{l}=13{,}513+8{,}939+8{,}800\text{ lbs.}\\ =31{,}251\text{ lbs., } \textit{i.e.}\text{, about 14 tons.}\\ =14\times25=350\text{ tons per month.}\end{array}\right.$

Serial No. of Block.	Theoretical wt. of wire of different gauges that can be drawn per shift of 8 hours.								
	4G = ·232″	5G = ·212″	6G = ·192″	7G = ·176″	8G = ·160″	9G = ·144″	10G = ·128″	11G = ·116″	12G = ·104″
	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
I	16,862	14,105	11,552	9,728	8,026	6,485	5,148	4,215	3,405
II	16,862	14,105	11,552	9,728	8,026	6,485	5,148	4,215	3,405
III	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
IV	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
V	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
VI	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
VII	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
VIII	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
IX	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
X	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
XI	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
XII	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
Theoretical total for 12 blocks . .	244,494	204,530	167,504	141,056	116,372	94,040	74,646	61,120	49,370
Total production taking 70 per cent. efficiency	171,146	143,171	117,253	98,739	81,460	65,828	52,252	42,784	34,559
Production of 12G wire from 2 Sleeper and Hartley continuous machines for 8 hours	...	...	...	...	...	...	...	...	8,800

Enclosure II.

STATEMENT B.

The statement showing the reduction in depreciation and overhead charges and increase in interest charges.

1. Our plant has been valued by Mr. Burkinshaw at Rs. 6,74,003 and our buildings at Rs. 3,57,672. 60 per cent. of the total expenditure has all along been taken as the value of the wire drawing plant and buildings.

60 per cent. of the last plant valuation comes to Rs. 4,04,402 and depreciation at the rate of 7½ per cent. will be Rs. 30,330.

60 per cent. of the last buildings valuation comes to Rs. 2,14,603 and depreciation at the rate of 2½ per cent. on this amount will come to Rs. 5,365.

The total depreciation will therefore be:—

	Rs.
For Plant	30,330
For Buildings	5,365
	35,695 per annum,
i.e.,	2,975 per month.

2. The Company has raised a Debenture Loan of Rs. 7,90,000, say Rs. 8 lakhs at 7½ per cent. The interest charges will amount to Rs. 60,000 per annum, *i.e.*, Rs. 5,000 per month.

3. As the Company is to be registered in Bihar and the Head Office to be transferred to Jamshedpur we expect a saving of about 25 per cent., *i.e.*, Rs. 750 per month under this head.

The total for overhead charges will thus be:—

	Rs.
1. Depreciation	2,975
2. Interest	5,000
3. Head Office	2,250
4. Miscellaneous	1,000
TOTAL	11,225

Statement VI.—Letter, dated the 30th October 1925.

We have the honour to inform you that as The Tata Iron and Steel Co., Ld., are not in a position to give us ¼-inch rods till August 1926 and as we want to begin operating our plant immediately, we have placed an order for 250 tons of No. 5 rod. As these rods will reach here within two months and as the Tariff Board's report on our representation may not be considered by Government and orders may not be issued by Government by that time, we have to request you to please move Government to remove the whole of the import duty of Rs. 40 per ton or at least to remove the protection portion of the duty and reduce the duty to 10 per cent. only from as early a date as possible.

Statement VII.—Letter, dated the 9th November 1925, from the Indian Steel Wire Products, Limited, Bombay.

We beg to bring to your notice that we have now placed an order for 500 tons of No. 5 Continental Steel Rods to be utilized for the purpose of converting them into wire and wire nails and that we expect shipment of same in about 6 or 7 weeks.

We have, therefore, to request that a certificate be immediately granted to us exempting us totally from the present Customs duty leviable thereon.

In addition to the above we have also purchased some 450 tons of old wire lying at Jamshedpur at cheaper rates than the present c.i.f. price for same and this will enable us to start our Nail machines without any further loss of time.

As regards the imported Rods we are anxious to get the exemption certificate or a letter of authority before the Rods land in Calcutta port as that course will considerably facilitate our position as otherwise attempts to get a refund from the Customs Department will entail a very tardy and rather a laborious procedure.

We shall, therefore, feel very much obliged if you will kindly accede to our request and do the needful immediately.

Statement VIII.—Letter, dated 12th November 1925, from the Indian Steel Wire Products, Limited, Bombay.

In continuation of our letter No. 916 of the 9th instant, we send herewith a copy of the Tata Iron and Steel Company's letter of the 4th July 1922 to us regarding the clause in the agreement for the supply of rods.

We beg to send herewith a copy of the statement annexed to our letter of the 27th ultimo showing the capacity or the output of our plant working one shift after making allowance for reducing No. 4 to No. 5, *i.e.*, on the basis of No. 4 rod.

With a view to arrive at the figures showing the spread in England and America for comparative purposes we cabled to London and New York and have now obtained quotations for wire rod No. 4 and No. 5 and for wire No. 12 gauge as per copies of the cablegrams attached hereto.

The British rod is quoted at £9-10-0 which at the present rate of exchange, *viz.*, 1*s.* 6*d.* comes to Rs. 126-10-8; while the American rod is quoted at $50·70 cents which being converted at the present exchange, *viz.*, Rs. 275 comes to Rs. 139-6-9.

The quotation for No. 12 gauge British Wire is £13-5-0 which when converted into rupees at 1*s.* 6*d.* gives us the figure of Rs. 176-10-8; the same for American quality is $3·24½ cents per 100 lbs., *i.e.*, $72·69 per ton which is equivalent to Rs. 199-14-4 at the present rate of exchange.

We thus arrive at the British and American spread as follows:—

British.	Rod.	Wire.	Spread.		
	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*		Rs. A. P.
Cable 'A' . .	10 10 0	13 10 0	3 0 0	*i.e.*	40 0 0
Cable 'B' . .	9 10 0	13 5 0	3 15 0	*i.e.*	50 0 0
American . .	$ 50·70	$ 72·69	$ 21·99 say $ 22	*i.e.*	60 8 0

This completes all the statements that were suggested by you during our representative's evidence to be sent to you.

Enclosure (1).

COPY.

THE TATA IRON AND STEEL COMPANY, LIMITED.

NAVSARI BUILDINGS, FORT.
Bombay, 4th/5th July 1922.

Reference No. G.-906/22.

MESSRS. LALUBHAI WALCHAND CAPADIA & Co.,
Agents, The Indian Steel Wire Products, Ld.,
65, Apollo Street, Bombay.

DEAR SIRS,

Re. *Draft Agreement.*

We duly received your letter No. 543 of the 24th ultimo. The draft Agreement which was previously submitted to you for the approval of your Company is now revised in accordance with the agreements mutually agreed to in correspondence and at personal interviews. We are enclosing herewith a copy of the revised draft Agreement and shall be glad if you will advise us at an early date that it is approved by your Company.

2. In connection with the revised draft Agreement, we have to explain that clauses 3 (*b*), 3 (*c*), 3 (*d*) and 4 (1) (*c*), have been added to give effect to the arrangements agreed to since the previous draft was prepared.

3. In clause 3 (*c*) we have not specified the sizes of rods to be supplied as the Hon. Mr. Lalubhai Samaldas has agreed to let the matter rest until we have actually tried to get No. 5 gauge rod on our new mill. Our General Manager assures us that he will do his best to roll for your Company a No. 5 rod or a rod very close to it in size. We have also not included in the draft Agreement the detail specifications mentioned in your letter No. 526 of the 26th May 1922. These are the American Specifications for rods and sheets required for similar purposes and we have provided in clause 3 (*c*) that the rods and sheets shall be of the same quality and specification as material made in England or America for the manufacture of the articles mentioned in the Agreement.

4. Clause 3 (*d*) deals with the prices of steel materials. In this sub-clause and in clause 4 the expression "f.o.b. Port of Shipment" is used in various places in connection with the quotations for both English and American materials. You may be aware that according to the commercial practice, the expression "f.o.b. Port of Shipment" when used in connection with the English quotations signifies the delivery of the goods on board the ship in the Port of Shipment. To convey the same meaning in the case of American quotations the expression "f.o.b. vessel at Port of Shipment" is used. Wherever, therefore, the expression "f.o.b. Port of Shipment" used in this Agreement refers to American quotations, it should be taken to mean "f.o.b. vessel at Port of Shipment."

5. We shall also be glad if you will advise us whether you approve of the draft lease of land forwarded to you with our letter No. G.-608/22 of the 22nd/24th April 1922 with the amendment of clause 2 suggested in our letter No. G.-678/22 of the 5th/8th May 1922. We shall then be able to place both the Lease and the Agreement together before our Board for their approval.

Yours faithfully,

Tata Sons, Ld., Agents.

(Sd.) John Peterson,
Director.

Enclosure (2).

STATEMENT A.

Capacity of 12 Block Wire Drawing Bench.

(*a*) Speed of Blocks	40 R.P.M. for Blocks I and II. 50 R.P.M. for Blocks III to XII.
(*b*) Diameter of blocks—24″.	
(*c*) Circumference of blocks- . .	$24 \times \frac{22}{7} = \frac{528}{7} = 76''$ nearly
Theoretical length of wire that can be drawn per hour on blocks I and II.	$\frac{76}{12} \times 40 \times 60$ ft. $= 15{,}200$ ft.
Theoretical length of wire that can be drawn per hour on blocks III to XII.	$\frac{76}{12} \times 50 \times 60$ ft. $= 19{,}000$ ft.
Length of wire that can be drawn on blocks I and II for one shift of 8 hours.	$15{,}200 \times 8 = 121{,}600$ ft.
Length of wire that can be drawn on blocks III to XII for one shift of 8 hours.	$19{,}000 \times 8 = 152{,}000$ ft.

Explanation.

(*a*) Block No. I will draw from ¼″ 3G to 5G, to supply 5G wire to the 2 Sleeper and Hartley continuous machines: at 70 per cent. efficiency we can draw about 8,800 lbs. of wire from these 2 machines.

(*b*) The remaining blocks can be separated into 3 sets for drawing down the ¼″ 3G rods to 10G and 12G.

(*c*) 10G wire from 3 sets at 70 per cent. efficiency.

Set No. I $= 6{,}435$ lbs. $\times 70/100$ Set No. II $= 6{,}435$ lbs. $\times 70/100$ Set No. III $= 6{,}435$ lbs. $\times 70/100$	$= 13{,}513$ lbs.

12G wire from 3 sets at 70 per cent. efficiency
$= 4{,}256 \times 3 \times 70/100$
$= 8{,}938$ lbs.

Total quantity of wire of 10G and 12G for one shift of 8 hours.	$= 13{,}513 + 8{,}938 + 8{,}800$ lbs. $= 31{,}251$ lbs., *i.e.*, about 14 tons. $= 14 \times 25 = 350$ tons per month.

Enclosure (3).

Theoretical weight of wire of different gauges that can be drawn per shift of 8 hours.

Serial No. of Block.	4G=·232″.	5G=·212″.	6G=·192″.	7G=·176″.	8G—·160″.	9G=·144″.	10G=·128″.	11G=·116″.	12G=·104″.
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
I	16,862	14,105	11,552	9,728	8,026	6,485	5,148	4,215	3,405
II	16,862	14,105	11,552	9,728	8,026	6,485	5,148	4,215	3,405
III	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5.269	4,256
IV	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
V	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
VI	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
VII	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
VIII	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
IX	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
X	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
XI	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
XII	21,077	17,632	14,440	12,160	10,032	8,107	6,435	5,269	4,256
Theoretical Total for 12 Blocks .	244,494	204,530	167,504	141,056	116,372	94,040	74,646	61,120	49,370
Total production taking 70 per cent. efficiency.	171,146	143,171	117,253	98,739	81,460	65,828	52,252	42,784	34,559
Production of 12G wire from 2 Sleeper and Hartley continuous machines for 8 hours.	...	...	...	...	...	...	...	...	8,800

Enclosure (4).

THE INDIAN STEEL WIRE PRODUCTS, LIMITED.

Undernoted Cablegram sent this date 29th October 1925.

D.L.T.

Tatald,

London.

Cable Bombay prices f.o.b. English Port Wire Rod numbers four and five also black wire twelve gauge all British material. Required for Tariff Board.

Wireforms.

Enclosure (5).

Cablegram dated 6th November 1925.

Wireforms,

Bombay.

"Referring to your telegram of 29th soft basic wire rod (base price) 5 gauge £10-10-0 f.o.b. Black Wire 12 gauge £13-10-0.

TATA LIMITED."

Enclosure (6).

Cablegram dated 7th November 1925.

Wireforms,

Bombay.

"Continuation our telegram of yesterday 4 and 5 gauges £9-10-0 wire 12 gauge £13-5-0. Referring to your telegram 6th confirm ordering 500 tons No. 5 gauge.

TATA LIMITED."

Enclosure (7).

Cablegram dated 29th October 1925.

Perinmarsh,

New York.

Cable Bombay Prices f.o.b. New York Wire Rod numbers four and five also black wire twelve gauge. Required for Tariff Board.

WIREFORMS.

Enclosure (8).

Cablegram, dated 2nd November 1925.

Wireforms,

Bombay.

"734 your telegram 30th October price f.o.b. New York No. 4 and No. 5 Hot rolled open hearth steel rods 50·70 cents per gross ton minimum of 5 tons lots. 12 gauge Black Port Annealed Basic Wire 3 dollars 24½ cents 100 pounds minimum 1,000 pounds lots.

PERINMARSH."

INDIAN STEEL WIRE PRODUCTS, LIMITED.

B.—ORAL.

Oral evidence of Mr. K. B. N. CAPADIA representing Indian Steel Wire Products, Limited, recorded at Calcutta on Tuesday the 6th October 1925.

President.—We are very much indebted to you for coming over. The reason why we were rather emphatic about adhering to the date fixed is that we have got a number of enquiries on hand just now, and unless we stick to our date, the programme will be upset.

Mr. Capadia.—If we had not had serious difficulties we would not have asked for postponement. We are very sorry for that.

President.—It is evident that in this enquiry no fresh information as to the cost of production of wire and wire nails will be available and it is this which makes the case rather different from any other which we have dealt with. The position is that since the Board originally reported, the Company have made little or no wire.

Mr. Capadia.—No.

President.—So they cannot tell us what difference there may be in the cost of production?

Mr. Capadia.—Quite so.

President.—In the first place, can you tell me when the Company shut down their factory?

Mr. Capadia.—About September last year.

President.—Were you manufacturing up to September 1924?

Mr. Capadia.—Yes.

President.—If I had been aware of that, I might have asked for further figures about the cost of production. I was under the impression that you shut down in the cold weather of 1923-24. Are you quite sure that the factory was working in September 1924?

Mr. Capadia.—Yes. During their last enquiry I think the Board asked for figures and we did supply.

President.—I don't think so. I have read through the evidence again and I don't think there is anything later than what we got at Jamshedpur.

Mr. Capadia.—Of course during the latter months, we were running short of rods, and consequently we did not work up to our previous standard.

President.—I see there was one letter dated 18th October 1923 which gave some information about costs up to August. Then the only letter we had after that is dated 24th December 1923 and it is quite a short letter which gave no information about costs. I was unaware that you had actually continued production so long. I thought that you had actually shut down before the Steel Industry (Protection) Act was passed.

Mr. Capadia.—We could not get the benefit of the second enquiry, I mean the increased duty on steel, and we shut down at about the time when that came into operation. From the middle of 1924, we were working at a very slow speed thinking that Tata's might be able to supply us with rods or we would be able to import them. In that hope we were carrying on at a slow speed.

President.—Can you give me the figures for your output at all?

Mr. Capadia.—Somewhere about 75 to 80 tons a month.

Dr. Matthai.—How long were you working altogether?

Mr. Capadia.—We started in December 1922 I think.

Dr. Matthai.—What was the highest monthly output that you reached during the period from, say, the beginning of 1923 to September 1924?

Mr. Capadia.—About 110 to 120 tons.

President.—When you shut down in September 1924, what precisely was the reason?

Mr. Capadia.—Our rods were all finished. We had gone through all our stock of raw materials and the Tata Iron and Steel Company were not in a position then, as they are not now, to supply us with any more rods. We could not import either on account of the duty of Rs. 40 a ton. Hence we had to shut down.

President.—The precise proposal you placed before the Board in your letter of 15th July 1925 was as follows. The fair price which the Board thought you ought to get was Rs. 320 a ton, and the landed cost of imported wire the Board had found to be Rs. 260 a ton. Owing to the rise in the exchange and the fall in prices, Belgian wire and German wire was actually being landed at Rs. 140 a ton, so that you wanted extra protection to the extent of Rs. 120 per ton.

Mr. Capadia.—The difference between Rs. 260 and Rs. 140.

President.—Or, as you preferred to put it, Rs. 6 per cwt.

Mr. Capadia.—Yes.

President.—The first thing I want to suggest to you is this. On the present price, Rs. 60 a ton is equal to 43 per cent. duty, and if you add on another Rs. 120 a ton it becomes 129 per cent. That is a formidable proposition. If it is found that an industry cannot carry on unless it is protected to the extent of more than 100 per cent., it almost inevitably raises the question whether it can ever dispense with protection at all. It is a very serious proposition indeed. The cost to the country would be exceedingly heavy in proportion to any result that would be gained.

Mr. Capadia.—Things won't be like this indefinitely and there might be a turn for the better. Since we represented this matter to the Board we find that prices are still going down. We have calculated here at the rate of Rs. 10 to Rs. 11 per cwt. whereas the actual sales according to our agents' report are even lower, about Rs. 8 to Rs. 9 per cwt. for wire and Rs. 10 to Rs. 11 for nails.

President.—We are not dealing with the question of the current market prices. We are on the question of the landed cost. From the figures you yourself have given in your last letter to the Board the landed cost of imported wire is not less than Rs. 140 per ton.

Mr. Capadia.—That was in July.

President.—No, but according to your last letter which is dated 25th September 1925. In that letter you have given the c.i.f. price of imported wire as £10 a ton.

Mr. Capadia.—Yes.

President.—Converting it at the rate of 1*s.* 6*d.* to the rupee, it comes to Rs. 133. If you add landing charges, it comes to Rs. 138 which means that the landed cost is not less than Rs. 140.

Mr. Capadia.—These quotations we got from the trade journals.

President.—I am not talking about quotations. Look at your letter of the 25th September. We asked specially for the latest information you could give us as regards the prices of imported wire and imported wire nails—both the current market price and the c.i.f. price. You say "we give below the latest information that we have been able to obtain from our selling agents at Calcutta. They say that 'the c.i.f. Calcutta prices of 1″ to 6″ wire nails that have recently come into the market vary from 11 shillings to 11 shillings and six pence per cwt.; wire is being imported at 10 shillings per cwt. c.i.f. Calcutta.'" Ten shillings a cwt. is £10 a ton which is Rs. 133 and

if you add landing charges, it comes to Rs. 140 without duty. That is on your own information.

Mr. Capadia.—I have here actual copies of invoices from merchants which will show that the prices have gone down further.

President.—Since the 25th September 1925?

Mr. Capadia.—These are actual copies of invoices which are very difficult to obtain. These merchants do not look upon us in a friendly manner. If I may be permitted, I will put these in (handed in) which will show that the present market prices of wire have gone down to about Rs. 8 or Rs. 9 per cwt.

President.—I want the c.i.f. price in sterling per ton.

Mr. Capadia.—The c.i.f. price in sterling is £8-15-0 per ton, and there is another quotation for £9-17-0. There is another for £8. These are actual copies of invoices to show that these are the prices at which the merchants have bought. Our agents in Calcutta report that Messrs. Manilal Seth & Co. sold at Rs. 8 per cwt. *ex* godown Calcutta.

President.—That does not help me in the least. We know that the importation of wire and wire nails was heavy last year and quite obviously the country must be overstocked. You cannot base any scheme of protection on the internal price. The only possible basis is the landed cost.

Mr. Capadia.—The list I have put in shows the landed cost without duty. It varies from £8 to £10. In addition to that, we got out German quotations from a reliable German firm. The c.i.f. prices work out to 10*s*. 6*d*. and onwards.

President.—That supports the figure you gave.

Mr. Capadia.—But the actual transactions take place at a much lower figure than the quotations here given.

President.—What do the Company ask that the Board should take as the landed cost of imported wire in order to calculate the additional protection required?

Mr. Capadia.—We have put it down as Rs. 140.

President.—Do you adhere to that or do you want to alter it? You are quite entitled to alter it, if you want to.

Mr. Capadia.—If anything, it is lower. As I have pointed out, the market is going down.

President.—Don't you see that it makes the case much worse if even 129 per cent. is not enough? If that is the position, how on earth is anybody to propose protection to that extent?

Mr. Capadia.—We have based our case on Rs. 140 as being the landed cost.

President.—If you base your case on Rs. 140, you want protection to the extent of 129 per cent. of the landed cost of the imported wire.

Mr. Capadia.—It is for the Board to decide.

President.—Do you think that the Government of India or the Legislature would approve of a proposal of that kind?

Mr. Capadia.—We find from trade journals that America and other countries have raised the duty to 100 per cent. and more. During unusual times if such measures are adopted, one should not feel surprised.

President.—Except in the case of additional protective duties against countries which have depreciated currencies, I am not aware of any recent protective duty of over 100 per cent. in any country. I quite admit that when the German mark was falling rapidly it is quite possible that the United States Government might have put on very heavy duties upon German goods. That is no longer the case because German mark has been stabilised. I am quite open to be convinced on the subject, but I do not recall any duty of over 100 per cent.

Mr. Capadia.—Our contention is that just as they levied high duties during abnormal times, the same abnormal times being present now in this country, something should be done commensurate with the position of the trade. It

may appear to be very high but looking to the circumstances and the way in which the market is going down, it would not be considered very high.

President.—That might be all very well if you could give us definite reasons for thinking that the price of imported wire was likely to rise again in the course of a year or two. Personally I don't see any.

Mr. Capadia.—Things cannot be at this low level for an indefinite time.

President.—Why not?

Mr. Capadia.—We have to hope for the better.

President.—I don't say that to all eternity prices will never be higher than they are now, but we have taken a good deal of evidence about steel prices and the impression has grown stronger in my mind that for a pretty long time prices will be low. It is quite unsafe to expect any substantial increase in the prices of steel for several years to come unless of course a war breaks out or something of that kind, which one cannot calculate on.

Dr. Matthai.—Where you want protection to the extent of over 100 per cent., it is a very strong indication that the industry is not likely to get on without protection.

Mr. Capadia.—Quite so.

Dr. Matthai.—According to the recommendations of the Fiscal Commission where an industry requires protection and where you cannot possibly foresee a time when the protection can be removed, it is a case for rejection as far as we are concerned.

Mr. Capadia.—What we say is that during the three years time we will be able to acquire a footing if protection is granted and then we will be able to meet the country's demand. Conditions might improve and we will be able to compete with foreign goods.

Dr. Matthai.—Look at your own statement in this letter of yours of the 25th September. One point that you bring to our notice is that a considerable quantity of wire which is imported into this country is made from scrap rods. Supposing that is true, don't you think that in countries where the wire business is well organised, they are likely to have a strong pull over you for a considerable time?

Mr. Capadia.—What we think is that they cannot always go on losing.

Mr. Matthai.—They are likely to go on for a long time.

Mr. Capadia.—The additional protection which we ask for, if granted, would enable us to compete against them. They could not go on losing indefinitely.

Dr. Matthai.—If the wire manufacturer is able to get his raw material practically as a waste product?

Mr. Capadia.—We don't say that. We say that huge quantities of scrap being available since the war, many firms have found it cheaper to buy scrap for the manufacture of rods on a considerable scale. It does not mean that it is wholly made out of scrap.

Dr. Matthai.—A very large part of it?

Mr. Capadia.—Not even a very large part of it. As regards nails in Germany, nails are made mostly out of wire scrap.

Dr. Matthai.—Where a wire manufacturer does his business along with the production of wire rods, apart from the question of waste product, he has a great advantage over you.

Mr. Capadia.—To a certain extent.

Dr. Matthai.—More or less as a man who makes nails in connection with wire has an advantage over a man who makes nails only?

Mr. Capadia.—Exactly.

Dr. Matthai.—In the same way he might have an advantage over you.

Mr. Capadia.—The same advantage we would be able to obtain for us according to the terms of our agreement with the Tata Iron and Steel Company.

Dr. Matthai.—Provided you get 129 per cent. protection?

Mr. Capadia.—Or something equal to that.

President.—You say—I am referring to the same passage to which Dr. Matthai has just drawn attention.—" Huge quantities of scrap being available since the war, many firms have found it cheaper to buy scrap for the manufacture of rods on a considerable scale." You mean, I take it, the steel scrap is used in the steel furnaces and, therefore, they save in pig iron.

Mr. Capadia.—Yes.

President.—Your proposal for an extra Rs. 120 per ton was based on the assumption that Rs. 320 a ton was still a fair price for you?

Mr. Capadia.—We had to take that figure as having been fixed by the Board.

President.—The Board calculated that Rs. 187 would be the cost of the wire rod per ton of wire and Rs. 133 would be the other cost including the manufacturer's profit. That was the way the Board fixed it. There is only one point in that which it can be revised at present and that is the cost of the wire rod. In your letter of the 15th July, or a subsequent one, you tell us that the cost of imported wire rod, after paying the duty, is Rs. 8 per cwt.

Mr. Capadia.—Yes.

President.—You see on that alone there is Rs. 11 to come off per ton of wire. It will be Rs. 160 *plus* Rs. 16, so that the total comes to Rs. 176 instead of Rs. 187.

Mr. Capadia.—To that extent rods have gone down in price.

President.—Even on your own figures you have overshot the mark by a little, because owing to the changes that have occurred since the Board originally reported, not only the prices of imported wire have gone down but also the cost of the wire rod. Notwithstanding the increase in the duty, the prices have fallen so much that you can actually buy them cheaper, than in 1923. On your own figures in July last you were hardly entitled to ask for more than Rs. 110 per ton. That is to say, not only has the price of the finished product come down but to some extent also the cost of production. Therefore a somewhat lower price than the Board originally fixed ought to be taken. However, that is a comparatively small matter (that is only one aspect of it) because the whole position has now been changed by the letter which has been received from the Tata Iron and Steel Company of which your Company has also received a copy. What we asked them was " The Indian Steel Wire Products, Limited, have explained that you are not yet in a position to supply wire rod, and that for some time they will have to import wire from abroad. They have therefore asked that they may be exempted from the payment of duty on wire rod imported for the manufacture of wire until such time as they can obtain supplies from you. Your ability to meet the requirements of Indian Steel Wire Products, Limited, in this respect was an essential part of the case for protection, and the Board would be glad to know how the matter now stands. I am therefore directed to request that the Board may be informed whether you are confident of your ability to roll wire rod in the near future, and if so by what date." Their reply is " We may be able to supply No. 5 rod to the Indian Steel Wire Products, Limited, some time in the future, but do not care to make any definite promise. Our merchant mill was never designed to roll a No. 5 rod and it has always been doubtful whether we shall be able to do so or not. A lot of experimental work will have to be undertaken in order to find out if we can roll this section, and under the present circumstances it is undesirable that we make such experiments at the present time or in the relatively near future. It will take weeks of experimenting and during this time the tonnage on the mill would be greatly reduced and the costs correspondingly increased. This we cannot afford. We are therefore unable to supply the rods to the Indian Steel Wire Products Limited and must recommend to the Tariff Board that the import duty on the rods should be reduced or alternatively a rebate should be given to the Indian Steel Wire Products Limited on the rods im-

ported by them." We received this letter yesterday and I have read it with considerable surprise. I think it will be clearly necessary to ask a representative of the Tata Iron and Steel Company to appear before the Board to explain the position more fully. The very serious point is this. They made a contract to supply you with rods—I think you remember what was the date originally mentioned in the contract by which they would begin to supply the rods?

Mr. Capadia.—They did not specify any date.

President.—But there must have been some understanding that they would be able to supply in the near future, and about the quantity you would eventually require, something like 12,000 to 13,000 tons? They now say that their merchant mill was never designed to roll rods!

Mr. Capadia.—What we can gather from them is that they will not be in a position to give us rods within the next two or three years.

President.—Had that fact been known to the Board at the time of the original enquiry, they might not have recommended protection to rods at all. They might very well have said it would be better to wait until the Tata Iron and Steel Company were in a position to roll these rods. I don't say what the Board would or would not have done, but it is quite possible that they might have taken that view. It would have been a matter which we would have very seriously considered.

Mr. Capadia.—It does sound strange. Here they say their mills were not designed to make rods.

President.—I presume at the time they made the contract the Directors were under the belief that they could roll the articles they contracted to supply. As they now say that they were not so designed, one must presume that the information has come to their notice in the interval. Instead of being at present an integral part of the steel industry, that is to say, an industry using Indian material throughout, the manufacture of wire in India must apparently be dependent on the use of imported rods, and the result is that it cannot be said that one important natural advantage exists. An industry using Indian steel to make wire is one thing, and an industry which cannot get Indian steel is quite another thing. Moreover, if the proposition was to manufacture wire from imported steel, there was no reason for putting up the factory at Jamshedpur. The factory might be put up at Calcutta.

Mr. Capadia.—There were other advantages, *e.g.*, power, water, etc. We could get ample supply of cheap labour and lots of other facilities which we could not expect in a big commercial place like Calcutta or Bombay.

President.—But according to your own showing Rs. 15 a ton is the freight from Calcutta to Jamshedpur on imported wire. Is it the same for the wire that you send out from Jamshedpur to Calcutta?

Mr. Capadia.—Yes.

President.—It strikes me as being a very high freight.

Mr. Capadia.—The concession does not apply to this route—from Tatanagar to Calcutta. From Tatanagar to Bombay the Bengal Nagpur Railway has given us a concession rate, but for some reason or other we have not got a concession rate from Tatanagar to Howrah.

President.—In view of the letter from the Tata Iron and Steel Company it is quite clear that we have got to take it on the basis that the duty on imported wire rod which they say they cannot roll, will be reduced to 10 per cent. at the earliest possible date. In the face of their letter the only possible conclusion is that they cannot make it at present, that they are not prepared to do the experimental work, and quite obviously there is no reason for a protective duty. I therefore think you may take it for granted that at least one recommendation the Board will make will be that the duty on wire rod, which the Tata Iron and Steel Company cannot roll, will be reduced. How exactly the rod is to be defined is a matter which we shall have to discuss with them.

Mr. Capadia.—We have asked for a total exemption.

President.—I don't for a moment suggest that there should be no duty at all. But there is no reason for a protective duty. The point is this. If the duty is less than 10 per cent, then you are getting some special concession which is part of the protection you have got. What I am trying to get at is, what protection would you require if the duty were reduced to the ordinary level of 10 per cent.? According to the figures you have given us the f.o.b. price of Belgian rods would be about £6 and of German rods £5-13.

Mr. Capadia.—Yes.

President.—What would the freight and insurance be?

Mr. Capadia.—Freight I do not exactly know, it may be somewhere about 25 or 30 shillings.

President.—I don't think it would be more than 25 shillings at the outside. We do know this that the freight from Antwerp which was 15 shillings has gone up to 22*s.* 6*d.* At that time Mr. Sawday told us that it was likely to be reduced again, but we have not heard whether it has been reduced.

Mr. Capadia.—I think 25 shillings would be a safe figure to take.

President.—On that basis the duty would be very much reduced. Take the German rods. It will come to just over Rs. 90 a ton. The duty will be about Rs. 9, landing charges and freight to Jamshedpur.

Mr. Capadia.—German rods that we have to import would cost us, taking at £6-12-6 a ton, about Rs. 120 per ton.

President.—What is this £6-12-6?

Mr. Capadia.—The c.i.f. quotation we recently got from a German firm.

President.—Working it out at 1*s.* 6*d.* it comes to Rs. 88-1-6. Customs duty at 10 per cent. Rs. 9, landing charges Rs. 5, freight to Jamshedpur Rs. 15. The total comes to Rs. 117 or call it Rs. 120 in round figures. You have brought the figure to Rs. 157½ and you added commission and incidental charges, and it comes to Rs. 160. With a 10 per cent. duty the cost is Rs. 117½ and that is the basis on which we must discuss the case. On the basis of the figure given, I suggest if you can land imported rod at Jamshedpur at Rs. 120 per ton, provided the duty is not more than 10 per cent., every ton of wire rod will cost you Rs. 132 allowing for the 10 per cent. wastage. The other costs, including manufacturer's profit, as originally calculated by the Board came to Rs. 133, so that the total cost is Rs. 265.

Mr. Capadia.—Yes.

President.—If the landed cost of imported wire is Rs. 140 the difference between Rs. 140 and Rs. 265 comes to Rs. 125. You have already a duty of Rs. 60 a ton so that the extra protection required is about another Rs. 60.

Mr. Capadia.—Yes, presuming that the duty on rods is reduced to 10 per cent.

President.—That, as far as I can judge, is all that you can fairly claim; that is Rs. 120 in all. You have got Rs. 60 and another Rs. 60 will about put you back where you would have been had prices not fallen. Even so it is 86 per cent. and the duty will still be very heavy.

Mr. Capadia.—Looking to the times something in proportion to the exigencies of the business and the needs of the present moment has to be done whether it works out to 50, 60 or 100 per cent.

President.—But the Government of India may say "it is all very well but we cannot afford to give that."

Mr. Capadia.—It will only be for two or three years and then the country will not be penalized any more.

President.—You have got to be careful how you use that argument, because the country has been penalized for 18 months with very little advantage to anybody. It is the consumer's point of view I am looking at. He is entitled to say "I have already been paying this extra duty for 18 months

and out of these 18 months the Company has been manufacturing only for six months and then only on a small scale. Next year it may not be able to manufacture at all." He is only concerned with this that he is paying money and no one is getting any benefit.

Mr. Capadia.—If our request is granted, we are ready to re-start and there will not be any default on our part.

President.—I am not suggesting that there is any intentional default, but we have got to face the facts and see what the position is. I may put it to you in this way. Supposing the duty on the imported rod were reduced to 10 per cent. and the duty on imported wire remained at Rs. 60 a ton, but no additional protection was given, would the Company think it worth while to recommence manufacture?

Mr. Capadia.—No. That would not be a commercial proposition. We are working at a loss and if you only reduce the duty to 10 per cent. and do not give us any additional protection we do not see how we can work profitably. We have laid out all this capital and got over the initial difficulties.

President.—You have not yet got over the initial difficulties.

Mr. Capadia.—Some of the men are still there, for instance we have not sacked our two Indian engineers; they are still with us. We have still kept the two engineers, the head superintendent and the foreman.

President.—But if the factory is not working nobody can learn anything.

Mr. Capadia.—There are the people who have learnt at our cost.

President.—My suggestion is that during the year of idleness they may have forgotten part of what they had learnt!

Mr. Capadia.—There is not very much technical in it; nothing that requires training in an Institute or anything of that kind. It is a very simple process and does not require years of training as in the case of the steel industry. All our Indian labourers learnt the work very quickly. All they wanted was efficiency and speed and just as we were beginning to get going our rods fell short.

Dr. Matthai.—Is it more or less an automatic machine?

Mr. Capadia.—Yes.

President.—The information the Board received in their original enquiry was that the quality of nails manufactured were not completely satisfactory.

Mr. Capadia.—But there had been improvement since then and we have good reports from the Calcutta market. We have got out a new manager who is very experienced and whose speciality is nail making. Since he has joined he has removed all the defects and he has been working very satisfactorily. In addition to the 12 machines we already have, we have ordered some more to bring about variety and perfection. These shipments we expect before the end of this year. Besides these we have ordered three or four machines with continuous system blocks, so that we would be able to cope with the increased demand as regards wire and wire nails within our range of any specification.

Dr. Matthai.—Was the capital that has been newly laid out in the business, laid out in anticipation of additional protection?

Mr. Capadia.—We had our hopes that if we could put our case strongly the Board would recommend protection.

Dr. Matthai.—Suppose one suggested that you started working for 18 months and then were able to give us some data about costs and so on, so that we might not be working on merely conjectural estimates, what would you say to that?

Mr. Capadia.—That would be prolonging our agony. We would not be able to work it at all.

Dr. Matthai.—What you are asking us now is to give you protection when we have no actual estimates to go upon. The estimates we have are mere conjectures.

President.—In the ordinary course in an enquiry of this kind if you had not been able to give us a good deal of information in the original enquiry, you ought to have been able to give more detailed information in this enquiry as you would have been working continuously for nearly three years. As things stand at present you are not able to give us that information We are still on a conjectural basis.

Mr. Capadia.—We cannot give you further cost of production, but it appears that the total cost at present will not differ substantially from our previous figure.

President.—Of the additional capital you have got Rs. 5 lakhs from the Bihar and Orissa Government and about Rs. 2 lakhs from others?

Mr. Capadia.—Rs. 2,90,000.

President.—How much of that has gone into the new plant?

Mr. Capadia.—We have ordered machinery for Rs. 40,000.

President.—And the rest is available as working capital?

Mr. Capadia.—Yes.

President.—Then in the circumstances that money is still liquid?

Mr. Capadia.—Yes. Of course we liquidated some of our past debts.

President.—And the balance is still in your hands?

Mr. Capadia.—It is still in our hands.

President.—You have liquidated your previous losses?

Mr. Capadia.—The liquid money at the present moment is between Rs. 2 to Rs. 3 lakhs.

President.—What is still liquid?

Mr. Capadia.—The major portion of it is still liquid.

President.—The point I put to you is this. The Government of India originally approved of protection for wire on the basis that wire was going to be made out of Indian steel. Now we find there is no guarantee that for several years to come it can be made out of Indian steel. They may say that they are not satisfied that, so long as the wire is made out of imported steel, the industry can ever dispense with protection. In these circumstances they may prefer to wait and see until the Tata Iron and Steel Company can make up their mind whether they can roll rods or not.

Mr. Capadia.—Till that time we could not afford to wait.

President.—You have already been shut down for a year.

Mr. Capadia.—That is to say we would have to shut down for eternity.

President.—Not necessarily; if it is for eternity, it means that the Tata Iron and Steel Company will never be able to supply rods.

Mr. Capadia.—We cannot afford to go on losing without anything coming in. If we could not turn out at favourable market rates, there would be no other course open to us than to close down or liquidate.

President.—I do not want to press you to answer that fully just now for this reason that it was not until yesterday it became clear to me that this question would have to be faced. I wish you would consider it and let us know as soon as possible giving the Company's views.* I think it is a point that the Government of India will certainly find it necessary to examine. Therefore the Board will also find it necessary to say something about it. The whole question is, is it worth while giving protection for wire at all just now in view of the fact that it is not going to be made out of Indian steel.

Mr. Capadia.—We have the precedent to go upon. The Indian Cable Company at Jamshedpur import all their cable. They do not buy their raw materials from Tatas at all. They are an independent Company importing their cable, rubber and other raw materials including copper from abroad. In their case the Government of India—if we are right in our information—have given them a certificate, just to foster that industry, exempting them

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totally from the duty that they had to pay on copper which is not made in the country.

President.—All they are getting is exemption from the payment of 15 per cent. duty on part of their raw material.

Mr. Capadia.—As much as they consume.

President.—That is a very different proposition from the 86 per cent. duty on the price of the imported article.

Mr. Capadia.—The situation may be a bit different, but the principle is the same.

President.—I don't think it is, because one is protection, but the removal of the duty on imported raw materials is not necessarily protection at all.

Mr. Capadia.—It is protection in another form.

President.—I don't think so. They are very clearly distinguished in the Report of the Fiscal Commission. What it really means is this, that in a case of this kind as soon as natural circumstances admit it, the Government of India would probably be inclined to remove the duty on raw copper altogether. I don't say that actually they would do so, because there is at least one copper mine who would be entitled to be heard before the duty is removed altogether. The Fiscal Commission have laid down quite clearly that it is desirable in the interests of industrial development, as far as possible, raw material should be admitted free of duty. In cases where the Government of India have not removed the duty on raw materials, they have given a number of concessions allowing particular firms to import free of duty or to get a rebate or something of that kind. That is not protection.

Mr. Capadia.—The net result is that they have a system of financial aid in one form or the other.

Dr. Matthai.—The removal of a disability is not granting protection.

Mr. Capadia.—Assistance in some shape or the other they have got. If we were to get it in one form or the other, we don't mind the phraseology.

President.—Don't you see that there is a great distinction in this? If the industry was going to use imported materials the Government of India might very well say. " All that we can do is to let you have your raw materials free of duty as far as possible, but if you ask us to put a protective duty on your finished product, that is quite a different matter."

Mr. Capadia.—I quite understand.

President.—That is the real distinction between the two cases.

Mr. Capadia.—We think it is absolutely necessary in our interest that additional protection must be or should be granted to us.

President.—It is absolutely necessary if you are not to stop altogether. The point I put to you is whether the Government of India would not think it preferable that you should stop altogether, because the cost of the protection required promises to be exceedingly heavy.

Mr. Capadia.—All this Indian capital would be lost and the Indian labour trained would be all futile.

President.—The Government is surely under no sort of liability as regards the original capital.

Mr. Capadia.—Certainly not. We fully understand that, but the Government should encourage an Indian industry if a reasonable case is made out before the Board.

President.—An essential part of the case that was laid before the Board has dropped out. The fact that the Tata Iron and Steel Company were going to supply you with rods was an essential part of the case for protection and that has gone. I want you to see how strong are the arguments that you have to meet.

Mr. Capadia.—We do understand that it is an essential condition that the raw material should be produced in India. At the present moment rods cannot be obtained in India. The situation has slightly altered.

President.—If it were quite certain that at the end of 18 months the Tata Iron and Steel Company will be in a position to supply rods, it wouldn't be so bad.

Mr. Capadia.—The Tata Iron and Steel Company might be persuaded to give some definite promise if they knew that the Tariff Board would not recommend protection without it.

President.—In view of the failure of the Iron and Steel Company to carry out the agreement in the past, are promises a sufficient basis for action?

Mr. Capadia.—Even if they lay down as a definite undertaking?

President.—Are they not under a legal obligation which you could enforce against them?

Mr. Capadia.—I beg your pardon. The contract only states that whenever they are in a position to give, we have to give them six months' notice. They don't specify the commencement of the contract. They have kept it vague and elastic.

Dr. Matthai.—What does the notice mean?

Mr. Capadia.—We have to give them six months' notice of our requirement when they are ready to produce rods and Tatas have never held out any definite promise. We did entertain hopes that they would be able to give us rods.

President.—Apart from anything in the contract Mr. Walchand told us definitely in the original enquiry that Tatas had promised to supply rods from the middle of 1924.

Mr. Capadia.—There 'promise' does not actually mean contract promise, but it only means a verbal assurance.

President.—The Tata Company have spoken quite definitely in their last letter, and I don't see how in the face of it they can now give an undertaking to produce wire rod by any particular date. It would be impossible to reconcile the letter and the undertaking.

Mr. Capadia.—If the Tariff Board were not going to recommend, certainly that exigency might prompt them to give us an exact date and they will certainly hold out some promise.

President.—No doubt they would. But how are they going to persuade us to rely on it?

Mr. Capadia.—It is a very big Company. Any promise that they have definitely made as far as we know they have never fallen any short of it; they have always gone beyond their agreement to oblige and help us.

President.—The position is clear from the letter they have written.

Mr. Capadia.—They say that they have planned out these extensions running into crores of rupees and they have to gradually feel their way. The output is increasing. As soon as they find that they are a little free from the other departments, they will certainly give their attention to our department and will give us the rods as early as possible.

President.—Then the Government of India might say: "We are not going to give you additional protection until that condition is satisfied."

Mr. Capadia.—Till such time as they are able to supply, a different proposition might be put. There might be two sets of proposals made by the Board to cope with the situation as (1) before and (2) after their ability or readiness to supply.

President.—The Government of India and the Legislature cannot enter into bargain with individual Companies in a matter of that kind. Protection has already been imposed in the case of wire on the understanding that there was a Company manufacturing wire in India. For a whole year that condition has not been fulfilled. Don't you think it reasonable in the circumstances that the Government of India should, in future, have regard only to the actual facts and not to promises?

Mr. Capadia.—The power might be given to the Executive Government to alter the duties when laid according to the recommendations of the Board.

President.—What we were given to understand in the original enquiry was that the Tata Iron and Steel Company were equipped to roll wire rods, and that there would be no difficulty in supplying you with rods. Now they say their plant is not designed to produce rods.

Mr. Capadia.—I think what they mean is that they don't find it convenient or feasible at the moment. Instead of that they have put it more strongly.

President.—The Government of India may not find it convenient to give additional protection.

Mr. Capadia.—Our case is a strong one for protection.

President.—And it is precisely for that reason that I am emphasizing this. I want you and the Company at Bombay to understand what they have got to meet. As I say you have got to realise not only the necessity of persuading the Board, but the Government of India and the Legislative Assembly. It seems to me that there are very great difficulties to meet.

Mr. Capadia.—That we do realise.

President.—That is the reason why I am rubbing it in, if I may put it that way. I don't want to force you to say more just now than you have already said. But when you get back to Bombay and discuss it with the other Directors, you should let us know their considered views about it and how they think this argument could be met.*

Dr. Matthai.—The President was drawing your attention to the reduction in the cost of wire rod. Your cost of production as estimated by the Tariff Board in their First Report no longer holds good, because the cost of wire rod has come down since then. I want to draw your attention to the other elements in your cost of production. Take for example the stores. I should like you to tell me whether any of the stores mentioned in Appendix K, page 86, Volume II of the evidence are imported.

Mr. Capadia.—Almost all these we can get here.

Dr. Matthai.—Where do you get sulphuric acid?

Mr. Capadia.—In Bombay as well as in Calcutta. In our previous evidence we have said that all the stores are purchased locally.

Dr. Matthai.—What about wire drawing soap?

Mr. Capadia.—North West Soap Factory, Calcutta.

Dr. Matthai.—Your next biggest item is packing.

Mr. Capadia.—Wood packing for nails.

Dr. Matthai.—The cost is somewhere about Rs. 11.

Mr. Capadia.—The packing cases would also be made here out of jungle wood.

Dr. Matthai.—Supposing you are to form a conjectural estimate about your cost with respect to these items, would you suggest that there has been any reduction in the cost in the original estimate?

Mr. Capadia.—I should not think so. It would not make any appreciable difference.

Dr. Matthai.—What about coal? There has been some fall. The figure that you gave in your original estimate was Rs. 5-9-0 a ton.

Mr. Capadia.—The present rate may have gone down a bit.

President.—Also the cost of your electricity depends on the cost of coal. The cost of electricity is somewhere about Rs. 7 and coal Rs. 6.

Mr. Capadia.—The cost of electric power from 1,000 to 1,500 units is 10 pies per unit.

Dr. Matthai.—I thought your representative stated that the price of electricity depended on the price of coal.

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Mr. Capadia.—We have not gone beyond that limit to get a reduction.

Dr. Matthai.—You have not been working.

Mr. Capadia.—Their position is the same as it was then.

Dr. Matthai.—Coming to another point, two years ago you had certain number of supervisors on your staff who were rather expensive people. Were there two European Engineers?

Mr. Capadia.—Only one.

President.—At the time the Board visited the works there was only one European foreman, the two Europeans who had been there having been got rid of.

Mr. Capadia.—That I confirm.

Dr. Matthai.—At what rate of interest did you get the loan from the Bihar Government?

Mr. Capadia.—7½ per cent.

Dr. Matthai.—For what period?

Mr. Capadia.—For ten years.

Dr. Matthai.—On what security?

Mr. Capadia.—On the security of the property of the Company, machinery, etc.

Dr. Matthai.—Last time when the Board made the estimate the amount of capital on which profit had to be earned was estimated at Rs. 21 lakhs paid up capital. There is no difference with regard to that, is there? Has there been any attempt at reconstructing capital?

Mr. Capadia.—We are going to re-organise and reduce the capital.

Dr. Matthai.—How would that react on the capital?

Mr. Capadia.—We propose to bring down the share value from Rs. 100 to Rs. 25.

Dr. Matthai.—Is that simply a proposal?

Mr. Capadia.—An extraordinary meeting has been held and it has to be confirmed by the next meeting during this month.

President.—A reduction of capital of this kind would not necessarily affect the amount of protection required. The Board in these cases do not consider the financial circumstances of any one particular Company, but try to ascertain what is a reasonable capital expenditure in order to obtain a certain output.

Dr. Matthai.—The point is the actual paid up capital of the Company was taken in the original estimate. That is to say you have issued half, about Rs. 24 lakhs?

Mr. Capadia.—Yes.

Dr. Matthai.—With regard to this contract that you have with Tatas, you have two kinds of terms, one for the first five years and the other for the second five years. When does this five years begin, from the date of the contract or from the date of the actual supply?

Mr. Capadia.—From the date on which they actually supply.

Dr. Matthai.—I want to sum up the main points with regard to which I feel difficulty in regard to your case. Unless you can meet these difficulties it would be very difficult for me to make up my mind in favour of your application. There is first the fact that your industry is practically a non-existent industry. It does not exist at present. The Fiscal Commission have made a very strong point that where an industry is practically a new industry, you are always up against the difficulty of framing estimates on data which have no value at all.

Mr. Capadia.—It is not a new industry.

Mr. Matthai.—It is a new industry which does not offer any data.

Mr. Capadia.—We have got some for a number of months.

Dr. Matthai.—I think the Fiscal Commission had this kind of thing definitely in view. They say:

> "If applications for tariff assistance are entertained on behalf of industries which have not yet come into existence, and the Tariff Board has to consider not facts but the anticipations of the promoters, it will be a task of great difficulty."

Mr. Capadia.—We have come into existence and our anticipations are based on the actual previous working.

Dr. Matthai.—You worked for six or seven months.

Mr. Capadia.—Longer than that.

Dr. Matthai.—During that period you did not reach anything like the output of which your plant is capable.

Mr. Capadia.—The first few months were spent in training the labour.

Dr. Matthai.—What I am suggesting is even the actual data you have with reference to the period you have worked are of very little value, because the output you reached during that period is not anything like the output expected from your plant.

Mr. Capadia.—We couldn't expect to work up to the scheduled figure in such a short time.

Dr. Matthai.—Any way the fact remains that we have to proceed entirely on conjecture with regard to bulk of your costs.

Mr. Capadia.—I should not think so. Our proposition is that the prices of our stores have not gone down so much as to materially alter the total figure of cost. It might be a little this way or that. As regards the stores and other things, they would not make any appreciable difference in our total. The main items in the total cost of production are rods and the overhead charges. If Tatas give us a promise that they will give us the rods, all the conditions laid down by the Fiscal Commission are fulfilled.

Dr. Matthai.—With regard to that I want also to emphasize that, if it turns out that Tatas are unable to give you rods, then, as the President pointed out, to a very material extent it damages the case for protection.

Mr. Capadia.—I am personally quite convinced that Tatas would support us and see us out of this difficulty. They would give us the rods if the Tariff Board were not inclined in our favour on this assumption.

Dr. Matthai.—The other point is that this business is more or less automatic.

Mr. Capadia.—As regards technical working.

Dr. Matthai.—Supposing we gave you this amount of protection which you have asked for, it would not be of any help to the country in the way of developing skilled labour.

Mr. Capadia.—Many others would be attracted to this line after we re-started and developed.

Dr. Matthai.—If the work is more or less automatic, there is not any special kind of skilled labour which is likely to develop as a result of your industry being protected.

Mr. Capadia.—There is to a certain extent, but not so great as the other technical industries.

Dr. Matthai.—Is it so great as to justify protection?

Mr. Capadia.—We should think so.

Dr. Matthai.—What is the maximum possible output of your plant?

Mr. Capadia.—About 9,000 or 10,000 tons. We could easily duplicate or triplicate.

President.—Please don't speak of duplicating and triplicating. If you duplicate, you would be producing twice as much wire as the country can consume.

Dr. Matthai.—Supposing you are able to produce about 10,000 tons, would you be meeting the demands of the whole country for wire and wire nails?

Mr. Capadia.—Yes, in course of time.

Dr. Matthai.—There won't be any room for the development of other concerns in the industry.

Mr. Capadia.—During 1924-25 it appears 6,588 tons of wire and 16,238 tons of nails (excluding Government orders) were imported.

President.—What period are these figures for?

Mr. Capadia.—For the year ending March 1925.

President.—The imports of nails have been abnormally high in that year, but have fallen off since then.

Dr. Matthai.—The total is about 22,000 tons.

Mr. Capadia.—Yes, excluding Government orders.

Dr. Matthai.—Leaving out barbed wire and things of that kind.

Mr. Capadia.—That I am not in a position to say, but I presume it does. From the classified list of stores it appears Government have ordered 3,169 tons of wire and nails during the year ending March 1925.

Dr. Matthai.—This new machinery that you are expecting, is it for the manufacture of wire and wire nails or are you going to make galvanized wire also?

Mr. Capadia.—Yes, galvanizing plant we already have and that we are going to work.

Dr. Matthai.—Are you thinking of going on to any other kind of wire?

Mr. Capadia.—Nothing beyond our present scope.

President.—What steps have you taken to satisfy yourself as to the demands of galvanized wire?

Mr. Capadia.—We have seen the import figures and the general bazaar demands.

President.—Where did you get separate figures for galvanized wire?

Mr. Capadia.—We have made enquiries from the railways and other consuming departments and we think there is quite an ample demand for galvanized wire probably more than for plain wire. All the railways want them. In the bazaar also there is a very big demand for galvanized wire.

President.—Supposing the Board decided to recommend the additional protection you are asking, have you any opinion to express as to the form it should take?

Mr. Capadia.—We would prefer bounty to be given to us.

President.—On the ground that you get the advantage more certainly and speedily?

Mr. Capadia.—Yes.

President.—In addition, in the case of a bounty it would be easier to give retrospective effect. It is impossible to do so in the case of duty.

Mr. Capadia.—Quite so.

President.—There is another matter to which I might draw your attention. We have received an application from Messrs. Halley Brothers Limited who want to be allowed to import free of duty the wire that they require for making hackles. What they said in May 1924 was that they were importing wire of a kind not made in India at Rs. 225 per ton. They object to having to pay so high a duty, because the duty on hackles is only 2½ per cent. They are pretty badly hit by that. They wrote to your firm last year, and they wrote also to the Tata Iron and Steel Company and gave a specification for cast steel wire. The particular point about the specification is that the carbon percentage is 0·8. I find the following passage in the letter which we received from your Company in December 1923.

> *Question.*—Does your firm intend to make steel wire containing more than about 0·3 per cent. carbon?
>
> *Reply.*—We do not think as matters stand at present we shall be manufacturing steel wire containing more than about 0·3 per cent. carbon.

Mr. Capadia.—We don't mind this being exempted. We are not going to manufacture it. All that we said in our letter was that up to date we had not drawn cast steel wire but we could do it if we get hard cast steel rods.

President.—How are Tata's going to make cast steel?

Mr. Capadia.—They cannot do that. We quite admit that we are not in a position to give cast steel wire.

President.—As far as you are concerned you have no objeciton because this firm cannot in any circumstances purchase from you. What you make is not what they want.

Mr. Capadia.—Quite so.

President.—Then there is the question of the application put in by two firms to be allowed to import wire without duty for making nails. I gather that you think it would not be fair to you?

Mr. Capadia.—They would be able to undersell us unless we get some compensation in one form or another.

President.—I don't know how much truth there is in the theory that wire and wire nails sell at about the same price.

Mr. Capadia.—That we can ascertain from the bazaar. There is a margin of about a rupee in favour of nails.

President.—At present?

Mr. Capadia.—Yes and it has always been so.

President.—It was Mr. Walchand who gave us the impression originally that they sold at about the same price and that sometimes nails were lower. All that I can say is that I am getting more and more doubtful about that. I do not for a moment say that it is not true, that they have occasionally been cheaper. But my impression is that on the average they are dearer.

Mr. Capadia.—We have explained our reasons in our representation.

President.—They do not convince me in the least. We asked, could you throw any light on the question how it was possible that nails could sell at about the same price as wire? One of the reasons you have given is "In Germany the home trade agreement between iron and steel producing firms and the finishing industries make it easier for the latter to get from the former their raw materials which they want to convert into finished products for exporting to foreign countries at so-called world market prices" and then you go on and give reference to the Iron and Coal Trades Review. We are very much indebted to you for that. What I want to draw your attention to is this. You give the amount of the bounty or rebate paid on wire rod. Nobody has yet urged that wire and wire rods sell at about the same price. The question is about wire and wire nails.

Mr. Capadia.—These bounties are given to the wire and nail manufacturers.

President.—This bounty on wire rod is entirely irrelevant in considering this point.

Mr. Capadia.—It lowers their cost of wire and nail production if they get rods cheaper.

President.—The fact that they get wire rods cheaper is no reason at all why nails should sell at about the same price as wire.

Mr. Capadia.—I think that it is specifically stated in the Iron and Coal Trades Review that it applies particularly to nail manufacturers.

President.—In the issue of the 28th August 1925 of the Iron and Coal Trades Review an account of the Export Committee of the Steel Syndicate is given. There is a list of no less than 16 export rebates, *i.e.*, reductions of prices to firms who propose to export, but there is no rebate on wire included in the list. The Iron and Coal Trades Review is able to give a list of 16 export rebates. It seems to me that if there were an export rebate on wire, it would have given it.

Mr. Capadia.—Yes.

President.—I am not satisfied at present as to the reason why nails and wire should sell at about the same price. I am still less satisfied that it is a fact.

Mr. Capadia.—That can be ascertained from the importers.

President.—I am trying to get the information from you and from others but nobody gives it.

Mr. Capadia.—If we give you our sales report it would show the rates at which they were sold.

President.—It would be misleading. My present view is that it is not established—I am very doubtful whether it is really the case—that wire and nails sell at about the same price. It is much more correct to say that on the average the price of nails is higher than the price of wire.

Mr. Capadia.—If anything it is only slightly higher.

President.—According to the figures you have given us it is about a shilling per cwt. You have given 10 shillings per cwt. for wire and 11 shillings to 11*s.* 6*d.* for nails. That is c.i.f. price. It comes to 20 to 30 shillings a ton, which may be sufficient to cover the cost of converting wire into nails in a European factory.

Mr. Capadia.—Each machine requires a man to work with a supervisor to look after the 12 machines.

President.—Have you ever been to a European nail factory?

Mr. Capadia.—No.

President.—Surely it is not the case that each machine requires a skilled man?

Mr. Capadia.—I don't say a very high salaried man or a very expensive man.

Dr. Matthai.—I think somewhere in the evidence last time the expert who appeared as one of your representatives said that a single skilled man could supervise several machines.

Mr. Capadia.—That is the headman. We are trying to diminish the actual staff as we attain proficiency.

President.—As far as I can see a shilling per cwt. ought to be sufficient to cover the cost of conversion of wire into nails in a European factory. The whole thing is so simple. It is automatic and there is nothing to contradict the supposition in the evidence we had from the two firms who gave evidence out here.

Dr. Matthai.—What is the cost of your new nail machine?

Mr. Capadia.—I could not say exactly, but we have imported three more nail machines and about two wire drawing benches.

President.—How many tons of nails would a nail machine produce in a year?

Mr. Capadia.—I could not say. These figures we have already supplied you, I think.

President.—It is only on this little side issue. From the figures we have had so far it seems to me that the total depreciation is a small sum. The machines are not very expensive. If you get your full output the depreciation charge is very small, that is what Mr. Walchand told us in the original enquiry.

Evidence of the Hon'ble Mr. LALUBHAI SAMALDAS, C.I.E., and Mr. WALCHAND HEERACHAND, recorded at Calcutta on the 29th October 1925.

President.—We are much indebted to you, gentlemen, for coming here to give evidence, and also much indebted for the very valuable letter you have written to us. The special reason why we were anxious for further oral evidence from the Indian Steel Wire Products Limited was to make quite sure that on this occasion we have got the facts clearly and accurately. It was deemed convenient that you should be present at the same time as the representative of the Tata Iron and Steel Company so that if there was any doubt about any point we could always get things settled in the presence of the representative of the other company. As far as I can judge from the letters of both companies, and the oral evidence we took yesterday, I don't think any doubt exists now as to any question of fact. I would like just to go briefly through the important points in connection with the supply of wire rod by the Tata Iron and Steel Company. Apparently the position now is that the production of No. 5 rod at Jamshedpur with the present equipment of the Tata Company may be dismissed, and that it is not now regarded as a practical possibility. Do you agree to that?

Mr. Walchand.—Yes.

President.—On the other hand they are equipped to roll rods down to a quarter of an inch and they are willing to undertake to supply up to 250 tons a month by August 1926.

Mr. Walchand.—That is so.

President.—But they have not hitherto attempted to roll anything less than $\frac{3}{8}''$ and they had a good deal of difficulty over that. If they do roll quarter inch rods it is going to mean a lot of worry and work on experimenting before they succeed. It will raise the cost of the merchant bar mill and, as prices stand at present, it will also raise the cost of manufacturing wire at Jamshedpur as compared to what the cost would be if you were using imported wire at a 10 per cent. duty. Is that correct?

Mr. Walchand.—Yes.

President.—We also gathered from what Mr. Chew told us yesterday that to equip a merchant bar mill in this way for the production of rod in addition to the very wide variety of products they make was a very unusual thing; that the common practice in Europe and in America was to produce rods in a specially high speed rod mills. Is that also in accordance with your view?

Mr. Walchand.—That I don't know. I am not an expert.

President.—What Mr. Chew indicated to us was that the cost of producing rods down to a quarter inch in a merchant bar mill was likely to be heavier than the cost in a high speed rod mill, granting, of course, that there was a sufficient demand to enable the mill to work to capacity. Do you accept that statement?

Mr. Walchand.—It is a statement coming from a responsible company and we accept that.

President.—That is in the sense that they know their business?

Mr. Walchand.—Yes.

President.—I put it to Mr. Chew yesterday that, if there were no question of protection, it would be contrary to the interest of both the Tata Iron and Steel Company and the Indian Steel Wire Products, Limited, for the Tata Company to attempt to roll rods. You have to pay more for the rod and they have got to use up, in making rod, steel which they could use more profitably in other ways.

Mr. Walchand.—I have told Mr. Lalubhai what happened yesterday and also told him that you had requested that "but for protection all these questions would not have come up at all." He will now explain our position.

Mr. Lalubhai.—What happened is this. When we began our negotiation with the Tata Company—as you know I am a Director of the Tata Iron and Steel Company and also one of the promoters of the Indian Steel Wire Products, Limited, so that I carried on the negotiations on both sides—my idea at that time was (there was no question of protection then) that the Tata Company would be able to manufacture rods not only up to No. 4 but something smaller than that number, *i.e.*, as near to No. 5 as possible, and that our company would draw wires therefrom. We ourselves not being technical experts had to be guided by the advice of our consulting engineers who, fortunately or unfortunately, were the same for both companies, *viz.*, Messrs. Perin and Marshall. Mr. Marshall was then here and we asked him what would be the cost per ton to convert No. 4 to No. 5 rod. I may mention here that No. 5 rod is usually said to be ·207; we in our factory are taking not ·207 but ·212, that is a little larger. These are technical things about which we were entirely in the hands of our consulting engineers. Mr. Marshall told us that the cost of conversion from No. 4 to No. 5 would be about Rs. 3 per ton. When everything was ready the Tata Company said they might have to put up a new plant for manufacturing No. 5 rod. We told them we would be prepared to take No. 4 till they were in a position to manufacture No. 5 and our consulting engineers were of opinion that as regards the price it should be about Rs. 3 less than the bazar price for No. 5. At that point the matter stopped. At that time there was no question of protection. Neither we nor the Tata Iron and Steel Company felt that there would be need for protection.

President.—In 1922, I think, the Tata Company had begun to dream of protection!

Mr. Lalubhai.—We had started our negotiations much earlier. In their letter of the 4th July 1922, the Tata Iron and Steel Company say "We have not specified the size of rod to be supplied as the Hon'ble Mr. Lalubhai Samaldas has agreed to let the matter rest until we have actually tried to get No. 5 rod on our new mill. Our General Manager says that he will do his best to roll No. 5 or very near No. 5 size."

President.—I don't recollect to have seen that letter. It would be useful if you could let us have a copy of that letter.

Mr. Lalubhai.—We will let you have a copy.* I was trying to make it clear that at that time we thought that the cost of conversion from No. 4 to No. 5 would not be more than Rs. 3 per ton. That was what our consulting engineers advised us. We did not lay very much stress on this point as no question of protection had entered our minds then. Unfortunately recently as a result of the present slump in the market and the position of both the companies, the question of protection has cropped up.

President.—Very much so. The Tariff Board, at any rate, has reason to know that!

Mr. Lalubhai.—As I said, the Tata Company honestly thought that they would be able to manufacture rods somewhere near No. 5 and we thought they would accept a price which was Rs. 3 less than the bazar price of No. 5 rod. At that time there was no question of protection. What Mr. Chew told you yesterday was that they would have to do a lot of experimenting before they are able to supply No. 4 rod. At the present time everybody wants to be on the safe side and they don't want to make a statement which may have to be modified later on, otherwise they would have to come before you afterwards and if they make statements which cannot be substantiated that will put them in a difficult position and therefore they have to be very cautious. Mr. Tutwiler was prepared to manufacture very near to No. 5 but the present Manager, Mr. Alexander, told us that he can give us No. 4 only. It may be that it

*Statement VIII, Enclosure (1).

might cost more than a little, but I hope it won't be so, because our consulting engineers have all along told us that the process will not be very costly.

President.—As far as drawing down from No. 4 to No. 5 is concerned, I am prepared to take it from your consulting engineers that there would not be any particular difficulty in your own works. That is not the point; what disturbs me seriously is a more important point. You see, if the production of wire rod on the Tata's merchant bar mill is likely to be always substantially more expensive than the production of rod in European mills, then, so to speak, the manufacture of wire derives no advantage from being connected with the Indian steel industry because it would be better off if using imported rod.

Mr. Lalubhai.—I think it would so if in actual practice it was found that the manufacture of even No. 4 rod was more costly than the manufacture of similar rods in European countries. It is at present merely an estimate and it has to be more or less on the cautious side. I don't see any reason why the cost would be in any way so high.

President.—Mr. Chew was able to give one of the reasons yesterday and that was that you can run a special rod mill at a much higher speed.

Mr. Lalubhai.—That is what we were told by Mr. Alexander, the Manager at Jamshedpur, but we told him that we as laymen could not see why the mere fact of rolling of one number higher or smaller diameter would cost so much. He said the estimate was conjectural to a certain extent as they are experimenting now. They fear it might cost more, I am hopeful it would not.

President.—The point is, is it reasonable that the recommendation of the Board should be such as to encourage the Tata Company to start rolling this rod if it is going to mean increased costs to them and increased costs to you?

Mr. Lalubhai.—I don't think they would come to you for protection merely because they have to roll a small proportion of rods, *i.e.*, 4,000 or 5,000 tons. It comes to a little more than 1 per cent. of their steel products.

President.—In an enquiry into the cost of producing steel in India, the cost of rolling this rod will appear as part of the cost in their bar mill which will mean that the whole cost of the bar mill will look higher.

Mr. Lalubhai.—It won't be much, say Rs. 10 or 15 more.

President.—I am not convinced about that. It may mean that by producing 250 tons a month on this section of the mill, they reduce the production on another section by 500 tons.

Mr. Lalubhai.—It may be a little more costly, but nobody can say anything definite on this point. It is a question of their fear and our hopes. I don't think that for that small difference Tatas will come for further protection.

President.—But the point is this. Is the production of wire rod in the bar mill an economic production?

Mr. Lalubhai.—It is very difficult for us to say. It is for them to say. What Mr. Chew has said must be accepted till in actual practice it is proved that it can be worked much more economically. Till then his evidence will have to be accepted by us.

President.—The importance of that is that, as long as Tata Company's equipment is, as it is at present, you have no chance of getting really cheap rod.

Mr. Lalubhai.—That is the problem. We will be able to get quarter inch rod by August 1926.

President.—It is going to be expensive even for the first five years of the agreement; the cost is higher than the cost of the imported rod, and for the next five years it would be still higher.

Mr. Lalubhai.—I don't think it would be a good deal higher. According to the agreement the price charged will be the average of the English and American prices. If you look up the figures for English rods and American rods—it is f.o.b. England and America *plus* 10 shillings for freight, and

Mr. Alexander worked up that, the American price is \$47 *plus* \$3 to put it on steamer. £9 was the price of the English rod and we put it as Rs. 117.

President.—I want to get the sterling price. You gave us certain figures. The figure you gave for American was £9-5-6. Have you got later figures than that?

Mr. Lalubhai.—These are from Mr. Alexander's table. We don't know the date. We got it only last Saturday and I think it is more recent. The English price is £9 and the American \$47 and \$3 to put it on steamer, that is \$50—I am speaking from memory—which is equivalent to Rs. 137-8-0, or in round figures Rs. 137, and £9 we put as Rs. 117. We added 137 and 117 and divided that by 2, that comes to Rs. 127. We took that as the mean and then added Rs. 6-8-0 (10 shillings) as freight.

President.—From what source did he get these English prices?

Mr. Lalubhai.—From some Journals that he had on his table.

President.—The latest quotation I have seen in the Iron and Coal Trades Review for British wire rod is £9-10-0. It has not been so quoted in the Iron and Coal Trades Review, but you might have received the quotation by cable or from other sources.

Mr. Lalubhai.—He gave the figure of £9-0-0.

Mr. Walchand.—This quotation is from the Iron and Coal Trades Review. We took the mean price as Rs. 127 and added 10 shillings as freight which we put it at Rs. 6-8-0 and quoted the price as Rs. 133-8-0.

President.—£9 is not exactly Rs. 117. Take the exchange at 1*s.* 6*d.*

Mr. Lalubhai.—We calculated at the rate of Rs. 13 per pound.

President.—At the rate of 1*s.* 6*d.* to the rupee, one pound is equal to Rs. 13⅓.

Mr. Lalubhai.—Yes.

President.—Rs. 120 is the British price and if you add the 10 shillings, *i.e.*, Rs. 6-8-0, it comes to about Rs. 126 and the American price, I don't think, is going to be less than Rs. 130.

Mr. Lalubhai.—We took Rs. 137 as the American price.

President.—As far as I can see, taking your own figures, the cost would not be less than Rs. 130 for the average of the two.

Mr. Lalubhai.—Including the 10 shillings freight.

President.—Undoubtedly.

Mr. Lalubhai.—We took it at Rs. 133.

President.—You could get the Continental rods at Rs. 120.

Mr. Lalubhai.—They can charge on the Continental rate, but the rods have to be taken to Jamshedpur. The difference is not very great.

President.—Rs. 120 is the price you have taken?

Mr. Lalubhai.—Yes.

President.—The difference is only Rs. 12?

Mr. Lalubhai.—Yes. That will be when Tatas are in a position to supply. There will be a reduction of Rs. 5 in the cost which we hope to be able to get from them.

President.—You could equally well import No. 4 from the Continent. Would not that be cheaper?

Mr. Walchand.—The price we have put it as Rs. 5 less. The price of Rs. 127, I don't think, would mean a loss to them. But I cannot trust my memory as to the actual cost of the rod.

President.—It would, of course, at the present moment. It would not leave a very large margin over the works cost on the bar mill.

Mr. Lalubhai.—It will give them about Rs. 10 or Rs. 12 more.

President.—On this particular side line, the margin would be very small.

Mr. Lalubhai.—Nobody can say.

President.—The point is this. After all we have got to face the facts. It may be—this is quite a possibility—that really you can't make the wire manufacture an integral part of the industry until it is worth while for Tatas or somebody else to establish a special rod mill which they are unable to do now. At any rate, is it any advantage to anybody to compel Tatas or to take action which might induce the Tata Company to produce the rod at present?

Mr. Lalubhai.—I can't afford to file a suit against the Company.

President.—The point is this. We laid great stress when we were examining Mr. Capadia on the importance of this being made out of Indian steel, and quite naturally, after what we said, the Wire Company approached the Steel Company and the Steel Company gave this undertaking. Since we examined Mr. Chew and received the letters from both the Companies, we have come to know a good deal more than we knew when we examined Mr. Capadia. I don't want anything that the Board had said or done to have a result which does no good to anybody.

Mr. Lalubhai.—So long as I am there connected with both the Companies, there will not be any ill-feeling or trouble between the two.

Mr. Ginwala.—Leaving aside the question of legal rights and liabilities as between yourselves and the Tata Iron and Steel Company, don't you think it would be fair for the Board, in determining the price of raw materials for your industry to take the mean of the American and the British prices and leave you to settle the difference between the Continental price and that price with the Tata Iron and Steel Company?

Mr. Lalubhai.—From the point of view of the Board I think it would be right. I am prepared to accept it.

President.—The Board ought to take the Continental price; because otherwise either your cost will increase or the Tata Company's cost will increase or the protection is increased. One of these three results will follow, and I don't see what object is gained thereby.

Mr. Walchand.—We have taken in our statement the Continental price.

President.—I know you have.

Mr. Lalubhai.—If you are good enough to give us the mean American and the British prices, I am prepared to accept that.

Mr. Ginwala.—My point is quite different. I was referring to the cost of the rod. Taking the cost of the rod, why should not we take the mean of the American and the British prices of the rod in determining your cost of production instead of the Continental price?

Mr. Lalubhai.—That is going to be the cost of our raw material, under the agreement, because the mean of the American and British price is going to be the basis.

Mr. Ginwala.—Supposing the agreement is to be carried out literally, your cost of raw materials would be the mean of the two prices. Why should that position be departed from?

Mr. Lalubhai.—We don't want to do so.

President.—It is the taxpayer or the consumer who wants it.

Mr. Lalubhai.—It is only for the first ten months that we want to get the rods free of import duty.

President.—So far as the duty on the rod is concerned, it seems to me perfectly obvious that it ought to be abolished. Had the Board been aware when they were writing their First Report that the wire rod was not going to be produced, they would certainly have left that out. It is really doing you harm and it has actually prevented you from going on with your manufacture. On page 93 of the evidence we took in the first enquiry I asked a few questions about that very point:

"*President.*—The Tata Iron and Steel Company have told you that they expect to be able to produce the rods you require by about the middle of 1924, that is only three or four months after the budget.

Do you think it would be right in these circumstances to exclude the steel rods from protective duties for the same of three or four months?

Mr. Walchand.—It would not matter provided they do manufacture these by May, as they say, or even July 1924.

President.—Have you any reason to think that they won't be able to supply?

Mr. Walchand.—No."

It was that passage in the evidence that influenced the Board when they decided that it was unnecessary to exclude wire rods from the operation of the protective duty. It is unfortunate that at that time the position as regards the supply of wire rod, was not more fully disclosed to us. I think you have reasons to regret it yourself, and the result was that you had to suspend the manufacture. There is just one point I should like to be clear about. What was the first date on which you brought to the notice of the Board or the Government of India the fact that you were unable to obtain rods from the Tata Company? Do you recollect? My impression is that it was not brought to our notice up till June or July this year. I would like to be certain about that.

Dr. Matthai.—I think that you sent us this year with your application for additional protection a copy of a letter from Mr. Sawday stating that the rod could not be ready by the time originally suggested. That was the first time when we got the information.

Mr. Lalubhai.—This was so because we were given to understand so late that we will get these rods from Tata Iron and Steel Company on 1st June 1925.

President.—Addressed to whom?

Mr. Walchand.—To Mr. Capadia by Mr. Sawday.

President.—That is not important. When did you first draw the attention of the Government of India? I think the letter of the 18th July was the first I saw.

Mr. Walchand.—I think that it will be somewhere about that.

President.—It is a pity, I think, that it was not reported at an earlier date. The duty is not doing anybody any good. It is no use retaining it and I think it is unfortunate that it was not communicated in some way to the Government of India or to us so that something might have been done. If our attention had been drawn to that in our enquiry made in October, it might have been possible to get something done in that direction.

Mr. Walchand.—I think one of the reasons for that was that we had no definite information as to when Tatas would actually be able to give us. We asked them whether they could supply the rods by the middle of 1924 and in reply they said that they could not guarantee to supply before the middle of 1924. The natural inference to be drawn from that is that they would supply immediately after June 1924. If that letter is construed to mean that they never gave any guarantee—not even that they will at all be able to supply—it will depend on what construction you put on that letter.

President.—But the point is this. At any rate you had that impression, and you passed on that impression to the Board, that they were going to supply you with rods by the middle of 1924. When they did not do so, if I were you, I should have written to the Government of India much earlier.

Mr. Lalubhai.—I grant that we ought to have done so. If we had given the information earlier, perhaps, the duty would have been removed then.

President.—The important questions I have been asking hitherto really lead up to this. There are one or two incidental points that I want to take first. You have told us that you could draw from No. 4 to No. 5 without putting any extra equipment.

Mr. Walchand.—Yes.

President.—But there is another possibility. I think you have told us in the original enquiry that the capacity of your plant, working one shift, is 250 tons a month.

Mr. Walchand.—Yes.

President.—If you have got to use your plant for drawing No. 4 rod down to No. 5, won't that decrease the output?

Mr. Walchand.—As it happens we are adding two more modern machines. We have ordered them already and we expect them by the end of this month, so, that compensates for any decrease there may be in the output.

President.—I want to keep that separate. If you like I shall put that point first. I understand that the capacity of the new plant you are getting is 100 tons.

Mr. Walchand.—Yes.

President.—You have told us in your last letter that with the new plant the total production would go up to 350 tons.

Mr. Walchand.—Yes.

President.—But in your estimate you have given only 300 tons.

Mr. Walchand.—Yes.

President.—I arrived at the 100 tons for the new plant deducting 250 from 350 tons. But my point is this. If you have got to draw down from No. 4 to No. 5, won't that decrease your output below 350?

Mr. Walchand.—After allowing for that; we will send you a detailed statement. This is the production we expect to get even allowing for reducing No. 4 to No. 5.

President.—What is the final figure you have arrived at for your output?

Mr. Walchand.—We took 350 at first and then brought it down to 300, working 8 hours.

President.—What I want to get from you is this. Supposing you had not to roll down from No. 4 to No. 5, what would be the capacity of the output of your plant working one shift?

Mr. Walchand.—On the old machines.

President.—Old and new together.

Mr. Walchand.—We will have to work it out and give you.*

President.—It should be sent to us as soon as possible. It is not of any great importance, but it strikes me that it is really relevant. Your costs may be increased. In that way you may get a smaller output. You have given us a figure Rs. 3 to Rs. 5 as the cost of drawing down No. 4 rod to No. 5. Is allowance made, in calculating that, for this reduction in the output?

Mr. Walchand.—Yes.

President.—It might be quite true you could draw down No. 4 to No. 5. Is your equipment sufficient to draw down the whole quantity that you use? You might find that you are able to do 150 and not 250 tons.

Mr. Lalubhai.—We would be able to draw the full quantity we want. 350 tons is taken on the basis of No. 4 rods being converted into No. 5 in our factory. It would be a slow process. So the first process gives a little lower production than it would have if we had begun with No. 5. But the 350 is on the basis of No. 4 rod being converted into No. 5 and then taken up to 10 to 12 gauge.

President.—I wanted to be quite sure whether that had been considered.

Mr. Lalubhai.—350 is on the basis of No. 4 rod.

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*Statement VIII, Enclosure (2).

President.—Please see paragraph 4 of your letter, dated 27th October 1925. You say:

"The total manufacturing cost will thus be:

	Rs.	A.	P.	
Raw materials	121	0	0	without any duty.
Works cost	58	8	0	
Overhead charges	37	8	0."	

There is evidently some mistake.

Mr. Lalubhai.—Yes.

President.—Probably you originally got this total by taking the raw materials at Rs. 132 including the 10 per cent. duty.

Mr. Lalubhai.—I think so.

President.—My only criticism is that it is rather an important part of your letter. What it really comes to is that you arrive at a final total figure of Rs. 241. That is correct if you assume that you are paying 10 per cent. duty.

Mr. Lalubhai.—Yes.

President.—Personally I would prefer to take the duty at 10 per cent. in all these calculations.

Mr. Lalubhai.—I put down in pencil two figures for raw materials. The typist took the smaller figure for the raw materials, but did not alter the total figure.

President.—What it comes to is this. On that basis the minimum that will enable you to carry on will be an extra Rs. 40 a ton.

Mr. Walchand.—Yes, with the 10 per cent. duty.

President.—What you said in your representation was that you should be given a further protection of Rs. 51 per ton. I have just pointed out the mistake of Rs. 10. The effect of that would be that the total protection you want would be Rs. 100 which is about 71 per cent. I think that is approximately the percentage. If you were producing 3,600 tons a year and supposing you were given assistance in the form of bounty, the cost to the Government would be Rs. 1,40,000 or Rs. 1½ lakhs in round figures.

Mr. Walchand.—Yes.

President.—It is of some importance to get clear about that. Before going into the question of cost, our object will be to ascertain just what is the least you could limit your demand to.

Mr. Walchand.—In view of the Board's suggestions made to Mr. Capadia to take credit for the fall in price of stores, of raw materials and the reduction of capital (thus bringing down our block cost to present day valuation), all these facts now have been taken into consideration and these have brought the duty required to this low figure. It has not been worked out from the particular point of view to make it as low as possible.

President.—Do you feel fairly confident about these figures?

Mr. Walchand.—Yes.

President.—I was just considering what the position would be if you actually got less than that. Depreciation, as you calculated, comes to about Rs. 10 a ton.

Mr. Walchand.—Yes.

President.—Interest would be Rs. 16·67; Head Office is Rs. 7·5 and miscellaneous Rs. 3·33. That is the way you have apparently arrived at it, as far as I can judge, and then you have allowed Rs. 12-8-0 for profit.

Mr. Walchand.—Yes.

President.—Supposing you were absolutely cutting it down to the bare bone, the only items you could cut are depreciation and profit. I take it that you have to meet the interest charges, and you have got to pay the Head Office expenses. They are charges which must be met. The point there is

what would be the attitude of the Company—I asked Mr. Capadia the same point—if the duty on rod were removed, and the existing protective duty on wire retained but no supplementary protection were given beyond the removal of the duty on rod?

Mr. Walchand.—That means there would be no profit and no depreciation.

Mr. Lalubhai.—If you only remove the duty on rod, I don't think the Company can carry on. That means closing down. It would be starvation basis if you take off the profit and depreciation.

Dr. Matthai.—If the import duty is removed and you had only the present amount of protection, you say you would not be able to carry on.

Mr. Lalubhai.—No, unless you give us extra protection. When we are talking of the removal, let us be clear. You are not recommending the removal of the entire duty of Rs. 40, but you are keeping the 10 per cent. duty.

Dr. Matthai.—You were speaking just now of the industry being carried on as on a starvation level. What I want to know is what is the minimum additional protection which you require barely to carry on.

Mr. Lalubhai.—In the first place, I will take it on the basis of the 10 per cent. duty.

President.—Take the duty on the rod at 10 per cent.

Mr. Lalubhai.—That means Rs. 130.

Mr. Walchand.—Then the overhead figure will come to Rs. 17-8-0.

Mr. Lalubhai.—There would be nothing left for depreciation which is absolutely necessary.

President.—Supposing it was fixed on the basis of Rs. 17-8-0 more, you have literally no margin at all and there is nothing left to cut.

Mr. Lalubhai.—That would be starvation basis.

President.—I imagine that during the first two or three months of manufacture, you won't get your works costs down to the full extent.

Mr. Lalubhai.—No, we won't be able to manufacture 300 tons a month in the first three or four months.

President.—You would simply be eating up the working capital?

Mr. Lalubhai.—Yes.

President.—Therefore I am very doubtful, supposing we do recommend supplementary protection, whether it would be wise to cut it to the bare bone and not leave a little flesh. You would be pretty hard against it.

Mr. Walchand.—In your Report on the increase of the duties on steel you have, of your own accord, recommended an additional duty of Rs. 30 per ton.

President.—That was purely an arithmetical calculation. We did not know the whole series of facts then.

Mr. Lalubhai.—I still think that Rs. 20, as I said, would be the starvation basis. I think that Rs. 40 ought to be given for at least two years. Then, you might reduce it to Rs. 20.

President.—There is no question of the period. If we make any recommendation at all, we will recommend supplementary protection up to the 31st March 1927. Whatever is to happen after that would be settled by the statutory enquiry.

Mr. Lalubhai.—Rs. 40 is absolutely necessary to keep the company going.

President.—You regard Rs. 40 as about the minimum that would enable you to carry on?

Mr. Lalubhai.—Yes.

President.—There is another important point. I was looking into the Iron and Coal Trades Review to see if I could find out the spread between the price of wire rod and the price of wire. The only wire which the Iron and Coal Trades Review gives is galvanised wire which is not what we want for comparison. I understand there is not a great deal of ordinary mild steel wire

made in England; Mr. Walchand himself told us this in the original enquiry. Are you able to quote the price of wire in America as compared with the price of wire rod?

Mr. Walchand.—Not except from the Iron Age.

President.—Even that would be something.

Mr. Walchand.—I don't happen to have the Iron Age here. If there is a copy in your office, I can show you that it gives the standard figure for wire rod.

President.—Does it give the price of wire also and if so for what size. It is always necessary to be careful about the size.

Mr. Walchand.—We tried to find that out at Jamshedpur but we could not get it. It gives a wide range for wire rod and also the quotation is of wide range—48 to 50 dollars.

Mr. Lalubhai.—It gives all gauges from 10 to 30.

President.—Let me put another question. You have given the c.i.f. price of Continental wire.

Mr. Walchand.—Yes.

President.—What have you taken as typical? Is it some particular kind or what is it?

Mr. Walchand.—As average we usually take No. 12 but the quotation is from 6 to 30. It is the average price that is generally quoted.

President.—There is not much variation in the price. It is mild steel wire, is it not?

Mr. Walchand.—Yes. In America, the system is that they give the basic price and for every higher number you add something and for every lower number you subtract.

President.—What is the basis?

Mr. Walchand.—I am not in a position to give you that. What I have told you is the American way.

President.—It only occurred to me yesterday. You have given the price of Continental wire as about 10 shillings a cwt. What kind of wire is it?

Mr. Walchand.—Do you want the spread between the two?

President.—We have got the Continental figures. We know that there is an export rebate on German wire rod which would also reduce the price of the Continental wire. I was wondering if you could give us figures showing the spread in England and America for comparative purposes.

Mr. Walchand.—I am not in a position to give you those figures now.

President.—What I want to know is the difference in England or America between the quotation for wire rod of some standard size and the quotation for wire of a standard size comparable to the kind of wire that you usually make. I want to find out what the difference is.

Mr. Lalubhai.—The basis we have been told is No. 8 gauge for wire and then the other prices are quoted a shilling more.

Mr. Walchand.—American spread or British spread we cannot give you. The Continental spread we have already given you.

President.—We have taken 10 shillings a cwt. which is about Rs. 133 a ton. I took separately the two f.o.b. prices you have given for Belgian and German wire rod, *viz.*, £6 and £5-13-0. The c.i.f. price of the one is Rs. 97 and that of the other Rs. 92, the difference being Rs. 36 in the one case and Rs. 41 in the other. As I say, you were able to give us some evidence by referring to the Iron and Coal Trades Review. The German Syndicate gives a rebate to the German exporters of wire on the price of the wire rod that they buy. Allowance must be made for that. What I was anxious to discover, if I could, was whether the difference between the cost of wire and the cost of rod in Great Britain or America was more than Rs. 50 a ton.

Mr. Walchand.—It will be very difficult to get that.

President.—I don't know. You select one particular kind of wire corresponding to the wire that you usually make and find out the price in both the countries. Similarly take the size of the rod that you commonly use and find out the price in both the countries. Then, you know as a rough guide what it costs to make one out of the other.

Mr. Walchand.—That is what we did. But the quotation is for a very wide range.

President.—That does not matter. You can take two or three of them if you like. The point I was going to put to you is this. If for the next three or four years you are going to use imported rods......................

Mr. Walchand.—Not for three or four years but only for ten months.

President.—I am not prepared to assume that at all. It would be very inadvisable that the Tata Company should undertake the rolling of rods at present. It is far better that the Wire Company should continue to use the imported rod. It is open to the Board to make that recommendation. You must not assume anything. All that you can assume is the willingness of the Tata Company to implement their promise. It may be inadvisable in the national interests.

Mr. Walchand.—Last time Mr. Capadia was told by the Tariff Board that the basic condition of protection was that the raw material should be indigenous.

President.—Quite so, but there is something to be said on the other side too. If the difference between the price of Continental wire and the price of Continental rod is Rs. 40 in Calcutta, you can never get into the Calcutta market.

Mr. Walchand.—That is so, but in the case of the up-country market, the question of freight disappears or possibly gives us a certain advantage.

President.—I quite admit that. I take it, that a good deal of wire is sold in up-country.

Mr. Walchand.—Yes, for that we have got a Railway concession in freight.

President.—But for wire nails, the Calcutta market is very important, is it not?

Mr. Walchand.—Yes, but the railway freight of Rs. 15 is exorbitant.

President.—It seems to me to be extraordinarily high.

Mr. Walchand.—For distant places like Bombay, they have brought it down from Rs. 67 to Rs. 43 and it is now Rs. 23 to Rs. 24. But they have refused to give us a concession for the short distance from Jamshedpur to Calcutta. We are trying to get it again. Mr. Collins, Director of Industries, Bihar and Orissa, has very kindly agreed to support it as much as he can. We are trying to get the same concession as Tatas.

President.—If the Calcutta market is important to you, the factory is not well situated at Jamshedpur so long as you use the imported rod. Although it may be true that production is cheaper at Jamshedpur, it won't be cheaper to the extent of Rs. 30 per ton.

Dr. Matthai.—Till you produce nails, you will find, won't you, outside Calcutta, market for the bulk of your products?

Mr. Walchand.—We will produce nails early.

Dr. Matthai.—As far as nails are concerned, will your best market be Calcutta?

Mr. Walchand.—Yes.

Dr. Matthai.—But wire products will find a market elsewhere than Calcutta.

Mr. Walchand.—Yes, but we have to make nails and we will be making nails all along.

President.—The point I should like to draw your attention to is this. In your estimate of costs, an allowance has been made for freight from Calcutta

to Jamshedpur on the imported rod, but no allowance has been made for freight the other way.

Mr. Walchand.—No.

President.—Is the freight on nails from Jamshedpur to Calcutta the same?

Mr. Walchand.—More or less the same.

President.—Also in the original scheme of protection, no allowance has been made for the extra cost in making nails out of wire.

Mr. Walchand.—That is so.

President.—Even with the extra protection, it seems to me that there will be a great deal of difficulty in getting into the Calcutta market.

Mr. Walchand.—As regards the extra cost of making nails out of wire, we understand that the rejected and 'wasters' which they use compensate them.

President.—Supposing your sales of nails are greater than your sales of wire, you couldn't make all your nails out of wasters.

Mr. Walchand.—No. The freight from Jamshedpur to Calcutta is a handicap. I think normally we ought to get a concession. Rs. 15 for a distance of 160 miles is exorbitant.

President.—The point, am really on, is this. If the spread between rod and wire is only Rs. 40 or even Rs. 50, your present cost is about Rs. 108. You say in your letter "We believe therefore we are justified in hoping that if we are granted sufficient protection for the next three or four years, we will be able to manufacture wire products at competitive prices." You have got to bring down your overhead, profit and works cost. These have all got to come to Rs. 40 or Rs. 50 a ton. You have got a long way to go.

Mr. Lalubhai.—Rs. 58 we have put down as works cost. It might be reduced appreciably.

President.—Your allowance for profit is only Rs. 12-8-0 which is not a very large one. On an output of 9,000 tons you require Rs. 24 a ton to give you a return. Taking that away from Rs. 50, your overhead and works cost have got to come out of Rs. 25 a ton before you can dispense with protection. I quite admit that the circumstances may be abnormal and therefore I don't want to press this too much. But I think that it is unwise for the Company to commit itself to any statement of this kind that in three or four years it will be able to dispense with protection. If anything can be certain, you will not be able to dispense with protection within that time. The fact that the spread between the price of wire and the price of rod in the Continent is so small must undoubtedly raise doubts as to the ability of the industry in India to dispense with protection until the cost of producing steel in India can be brought down to a very much lower point.

Mr. Walchand.—Don't you think that the spread is really abnormal just at present?

President.—It may be, I don't know. That is why I was so anxious to get the American and British prices. I am quite willing to believe that. I should be quite prepared to argue the case on the British or American spread instead of the Continental spread.

Mr. Lalubhai.—Mr. Chew of the Tata Company says that he will be able to get us the information by cable.

President.—It is not a theoretical point. It is a practical point. Supposing you are going to buy rods from America, it will be easy to ascertain what price you should have to pay. Similarly, taking some standard size which you are likely to produce, it will be possible to ascertain its price in America. That will give you a rough idea down to what point you have to bring down your cost of manufacture. It is possible thus to ascertain a reasonably normal kind of spread. The conditions in America, so far as we know, are not in any way abnormal. I should be quite prepared to argue the case on that basis rather than on the basis of the Continental spread.

Mr. Lalubhai.—We will cable to both countries and give you the result.*

Dr. Matthai.—The thing that really worries me with regard to this industry is this. In your last letter, we have been told that the raw material is still likely to be supplied and is likely to be bought under the agreement on which the whole scheme of protection is based. It is true that under the present circumstances, as Tatas representative told us yesterday, it is not a business proposition for them to make even No. 4 rods. At the same time it is not a business proposition under present conditions for you to buy your raw material under the agreement. In spite of it, it is very likely that it is the intention of both of you to keep to the agreement. What I should like to suggest to you is this. In the ordinary course of things, as a business proposition, you would not do it, but you are going to do it now because you want a technical ground on which the claim for protection could be based.

President.—It is not a technical ground that they want. From their point of view they are trying to comply with the conditions which the Fiscal Commission have laid down and which the Board have been working on. It would be a technical compliance with the condition, but it is not an economic compliance with the condition.

Dr. Matthai.—My reading of the Fiscal Commission's Report is that they were rather thinking of economic compliance with the condition.

Mr. Walchand.—If I have been starting a new factory and coming to you for protection, probably this can be urged that I am wanting to buy from Tatas in order to comply with the technical condition so as to be able to get protection. But the original intention of both Tatas and ourselves was not dependent on protection. When we put our factory at Jamshedpur, we had no idea of asking for protection but then circumstances so developed that we had to come to you. Accidentally or incidentally we find that it does not suit Tatas or it does not pay Tatas to roll the rods we require. It is a mere accident that things have come to this.

President.—Dr. Matthai is not suggesting that you put your works originally at Jamshedpur to meet that condition.

Dr. Matthai.—There is one general point with regard to which I have been feeling some difficulty. Your business has not been going on for some months. When the Board took up their enquiry first, they had only materials of 4 months' actual working and there was no other industry in the country with which to compare your costs. It was a very unsatisfactory standard. Now the condition is very much worse. We have to depend entirely on your conjectural estimates and when the amount of protection that you are claiming is as high as over 70 per cent. it seems to me that it is not safe for the Tariff Board to commit itself to conclusions which have no more valid foundation than your conjectural estimates. I wonder whether we should be doing our duty by the public satisfactorily if we did so.

Mr. Walchand.—How could we help it?

President.—You might have brought it to our notice earlier.

Mr. Walchand.—We could not do so because we did not have the financial help till March last from the Bihar and Orissa Government for which we had been waiting.

Dr. Matthai.—I am concerned with the fundamental issue. I know that industries in other countries which had not been actually in existence have come into existence on a guarantee of protection. Here we are administering a policy of discriminating protection which rules that possibility out. You say "We are not in existence, but we are prepared to come into existence if you will give us protection."

Mr. Walchand.—We have put Rs. 25 lakhs into this business. We never thought that we would have to come to you for protection but unfortunately we have to.

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*Statement VIII.

Dr. Matthai.—In the first letter that you sent us, the rate of protection worked out to something like 120 per cent. Now it comes down to 70 per cent., does it not?

Mr Walchand.—Yes.

Mr. Matthai.—That makes the position less difficult although I am keeping very much an open mind.

Mr. Ginwala.—In Statement B you mention the name of Mr. Burkinshaw. Who is Mr. Burkinshaw?

Mr. Walchand.—The Bihar Government appointed him as their expert to see what our plant was worth. He is a highly qualified engineer.

Mr. Lalubhai.—Under the State Aid to Industries Act they can give a loan of 70 per cent. of the valuation of the plant by their experts.

Mr. Ginwala.—Did the expert take the actual replacement value of the plant or did he write down the depreciation on the original value?

Mr. Lalubhai.—He came to Jamshedpur and examined the plant and our figures and took down what the plant would cost if it were put up at that time or what it would fetch.

Mr. Ginwala.—What I want to know is this. There are three ways in which you can value the plant. First of all, you write down the depreciation for so many years and take your actual cost. The second one is, you determine the price at which a purchaser would buy the plant as it stands, and thirdly, the price at which it can be replaced. I want to know which of the three he took.

Mr. Walchand.—He did not give us any data whatsoever. His report was confidential and through the courtesy of Mr. Collins, we got something like a summary.

Mr. Ginwala.—It does not really clear up the point. What I want to know is, how is the Board to come to the replacement value of your plant? Is this the mortgagee's valuation?

Mr. Walchand.—Yes. It must be a safe value.

Mr. Ginwala.—That is not the point. As you know, in basing our recommendation, we take the replacement value of the plant and then we say this is the value of the plant for a new comer and allow 6½ per cent. depreciation. In that sense what figure did he take?

Mr. Walchand.—We don't know what he based it on.

President.—I don't see any particular reason for revising the estimates of the overhead charges. We took it on the basis of 250 tons, you are taking it on the basis of 300 and the total of your overhead is very slightly altered. The real reduction is from 350 tons to 300 tons, and I personally don't think it is necessary to go into the revised estimate of the overhead charges. You have taken full account of the special circumstances of your Company, but when the Board have to determine the scale of protection, they have always got to try and avoid that and ascertain figures that will be applicable to everyone. We are not really concerned with what changes you have made except in so far as when we consider what is the minimum we have got to take into account for the interest charges you have got to pay.

Mr. Ginwala.—The difference between the two figures is this, that whereas the total remains more or less the same as before, the items vary, specially this item for interest.

Mr. Walchand.—Interest has gone up from Rs. 2,500 to Rs. 5,000. We originally took Rs. 4 lakhs as working capital but now it is Rs. 8 lakhs at 7½ per cent. which brings the interest charges up to Rs. 5,000.

Mr. Ginwala.—Supposing we adhered to our original figure as to the valuation of the plant and other things, in that case you would claim that this additional interest that you are paying now in consequence of your having to borrow money has to be added?

Mr. Lalubhai.—Interest charges have increased. We have written down the plant, and one of the conditions laid down by the Bihar Government was

that everything should be written down. So that we have reduced our capital, our profits have gone down from 25 to 12½ and similarly depreciation charges have also gone down.

Mr. Ginwala.—I have been looking at the figures you have given us, but I don't find the import price of British and American wire. Are they given?

Mr. Lalubhai.—I don't think we have given you the price of British or American wire rod.

Mr. Ginwala.—In Statement II you have given British, American and Belgian prices up to August 1925.

President.—As far as I remember the import of American wire is almost negligible. Even British wire is very small.

Mr. Walchand.—Yes, and what comes in is high class wire and is not comparable with our wire.

President.—However, I want these for other purposes and it would be useful if you could let us have the prices.

Mr. Walchand.—We will cable to England and to America and get these for you.*

Mr. Ginwala.—Under your contract with the Tata Iron and Steel Company, supposing they supplied you with rods, would this prices be taken as the basic prices?

Mr. Walchand.—Yes. They are taken from the Iron Age and the Iron and Coal Trades Review and these are mentioned in the agreement.

Mr. Ginwala.—May I take it now that the protection you claim is Rs. 40 a ton in addition to the Rs. 60 you have already got?

Mr. Walchand.—Yes.

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*Statement VII.

Witness No. 2.

THE PUNJAB WIRE-NAIL FACTORY, AMRITSAR.

A.—WRITTEN.

Statement I.—Representation dated 22nd October 1924, to the Government of India, Delhi.

We beg to lay before you the following few lines for your favourable consideration and necessary action:—

We are running a factory for manufacturing wire nails, etc., since January 1923 at Lahore. On starting the same, we considered to have a good profit as being an enterprise of its own kind in India but after working at a heavy loss for 21-22 months in the past, we experienced that it could not run at a profit nor could compete with the foreign made articles of this kind unless it was protected by the Government.

2. *Reasons for protection.*—(1) The consumption of the nails, etc., in India is so large that there is a large scope for dozens of such factories provided they can compete with foreign made articles in prices.

(2) The investigation of the Tariff Board made in connection with the Steel Wire industry has proved that:—

Firstly.—"The price of the imported nails is about the same as that of wire and is sometimes actually lower." (*Vide* para. 45 on page 131 of second report of the Indian Tariff Board on the steel industry.)

Secondly.—"The German manufacturer sold his nails cheaper than his wire, because what he spent on the slight labour and overhead of machinery, he more than recovered by using up the short length and waster coils of wire in making the nails." (*Vide* page 201, lines 36—39, report of the Indian Tariff Board on the steel industry.)

(3) There are many other difficulties and disadvantages which comparatively increase the working costs of the manufacturers of such articles in India and are too numerous to be detailed here.

(4) We beg to bring to your kind notice also that many of the articles made by us such as Panel Pins, Tacks, Rivets, Dowels, Wire Chains, etc., are already subject to about 10 per cent. import duty whilst we pay about 35 per cent. custom duty on the wires imported for manufacturing such articles in India which defeats the policy of the Government in the protection of the Indian Industries.

3. Being handicapped by the numerous difficulties and disadvantages, some of which are enumerated above, over which we have little control, we beg to submit that the Government be pleased to protect our infant enterprise either by

"Placing the imported wire used by us as raw material for the manufacture of Nails, etc., in the same category as Fencing, Barbed, Strained Wires, etc., and thus charge at the ordinary custom rate at 10 per cent. *ad valorem* and not subjecting to the enhanced rate of Rs. 60 per ton."

or by

"Raising the customs duty on the nails and other articles made out of wire (Wire Nails, Panel Pins, Wire Chains, Rivets, Dowels, Dowel Hooks, Tacks, etc.) to Rs. 40 per ton over and above the custom duty usually charged on the imported wires."

We trust that the Government will be kind enough to accept our petition and grant us the protection sought for.

Statement II.—Letter, dated the 29th August 1925, from the Punjab Wire Nail Factory, Amritsar, to the Tariff Board.

With due deference we have the honour to reply to your esteemed favour No. 364, dated the 14th ultimo. We beg to lay down the following observations and we trust that your Board will now be convinced about the matter in question.

Firstly, we beg to refer you to the Report of your Board on the protection to the Steel Industry, 1924, page 198, in which the total import of all kind of wire and wire nails from the foreign countries is 16,477 tons out of which the tonnage of wire nail is 12,146 tons and that of other kinds of wire is 4,331 tons. It is quite apparent that out of the bulk of quantity of wire, wire nails are manufactured and the prominent object of converting wire rods into wire is to manufacture wire nails. In other words the manufacutre of nails is not an integral part of the Indian as well as the world Steel Industry, on the contrary all other kinds of wire such as Barbed wire, Stranded Fencing wire, are merely by-products of the wire nail industry. It is clear from the above figures, that in wire industry the nails command the market being saleable at a good price all over the world, all other kinds of wire such as Barbed wire, Fencing wire make only one-fourth part of the total wire productions. We can thus easily conclude that all articles made from wire other than wire nails are merely an integral part of the nail industry and are merely by-products and do not command a big field of consumption.

Thus the consumption of nails being three-fourth of the total wire products deserve your serious attention when coming to the question of its protection. Your Board in the above report admits that Germany and Belgium command the wire nail trade and the "Imports from the United Kingdom is relatively small." Thus the protection given merely to wire without having been given to wire nail has merely encouraged foreign countries to monopolize this part of the steel industry while the activities of the Indian manufacturers on account of this identical duties have been nipped into bud.

The objections contained in the paragraphs 4 and 5 of your letter can be met without any serious difficulty. We take it turn by turn:—

(1) The first objection raised by Mr. Walchand of the Indian steel and Wire Products, Limited, is that the wire and wire nails are manufactured in the same factory is not wholly true. In Germany as well as in Belgium there are several factories which manufacture nails from imported wire.

In order to corroborate our above remarks we beg to enumerate the list of the manufacturers in Germany who are exclusively nail makers only and who do not manufacture wire but nails from already purchased wire:—

(1) Mr. K. Lobenstein in Berlin.

(2) Mr. A. Baum of Berlin.

(3) Messrs. Becker and Konigs G.M.B.H., of Dusseldorf.

(4) Messrs. Wilhelm Heinrichswerk A. S., Dusseldorf.

(5) Messrs. Schwetter and Lammers, Dusseldorf.

(6) Messrs. Drahthandelsgesellschaft M.B.H., Berlin.

(7) Messrs. Dusseldorfer Eisen and Draht Industrie Act-Ges., Dusseldorf.

And also for your further satisfaction we beg to lay down the names of few German wire manufacturers who have absolutely no concern with wire nail manufacturing business but are purely, wire drawers:—

(1) Messrs. Westfalische Drahtindustry, Hamm (Westf).

(2) Messrs. Sub Deutsch Drahtindustry A.G., Mannheim—Waldhoff.

(3) Messrs. Garmania Werke, Hemer i Westf.

(4) Messrs. Felten & Guilleaume Cariswerke A.G., Koln-mulheim.

(2) The second point raised is that wire nails as well as wire sell at the same price per ton. This is not the case. The enclosed letter of a Belgium manufacturer speaks itself. The price of the mild steel wire is £9-5 per ton

while the price of wire nails is £11-5 per ton. Thus our contention of extra cost *above the wire* in manufacturing wire nails from wire is upheld by the above quotations. Thus it is clear that when in Germany and Belgium there is a marked difference between the price of wire nails and wire; the assertion, that the manufacture of nails as a separate industry in India labours under a grave natural disadvantage, is no longer tenable. The price of wire nails in Europe generally exceeds £2 per ton than those of wire. The Indian Steel and Wire Products Company (Mr. Walchand's) also always quotes higher for nails.

(3) It is absolutely wrong that wire nails are generally manufactured from "Waste or short length wire which could only be sold at a loss."

Firstly, this suggestion is quite incredible in view of the fact that out of the total wire product about three-fourths or two-thirds is solely meant for manufacturing nails and it is difficult to surmise that the bulk of wire nails could be manufactured from the scanty waste matter of about one-fourth of the total wire products. So we trust that the Board will certainly chuck out this ingenuous plea which is altogether unsustainable.

Secondly, wire nails are manufactured at a comparatively cheap rate from long coil of new wire. The insertion of small waste pieces of wire in the automatic machines merely double the labours and leaves a part of waste wire on both ends. The frequent insertion of the waste wire injures the machine and thus the process is rendered slow, costly, unworkable. It is difficult to conceive how your Board could ever rely on such a flimsy ground that the nail industry for its total or large part of its consumption depends merely on waste and short length material.

With regard to your repeated statement that the nails are made from the Indian wire and that therefore the gain which can set off against the cost to the consumer will be very small, we beg to point out that the raw material from which these wires are manufactured are wire rods as described in the abovemenitoned Tariff Board's Report, page 200, paragraph 5; on the top it is also mentioned "ready made wire rods of suitable size is purchased and subjected to further processes for the purpose of drawing it into wire and manufacturing it from other products." These lines amply indicate that those factories which manufacture these wire they do not manufacture it directly from raw material but they buy or rather import wire rods. In paragraph 5 it is again written "As indicated elsewhere they are *at present* imported." Thus when it is admitted as a separate industry from rods and the protection is given to wire which is manufactured from an *imported wire rods* and there is no reason why wire nails industry should not be admitted as a separate industry from wire as ultimately the object of wire steel industry is to manufacture nails only. Thus the conversion of wire rods into wire is not an end itself, it is merely a means to an end, and *that end* is the manufacture of wire nails.

Secondly, the problem that the Indian factories shall continue to manufacture nails from an imported wire will not hold good for ever. As soon as the Indian factories begin to manufacture nails and other wire products and work at a little profit, gradually many other factories, which will convert wire rod into nail shall spring up, of course, whose activities shall be confined to the production of nails in different shapes Panel Pins, Tacks, Dowels, Chains, etc.

Having dealt with all the objections raised by the Board in paragraphs 4 and 5 of their letter under reply we now turn to comment upon the requirement of the Fiscal Commission enumerated in paragraph 3 and summarised in paragraph 6 of the said letter:—

(i) *Large Home Market.*—The Board is fully cognizant of the fact that the Amritsar is the biggest commercial centres of the Punjab, especially in the Hardware and Ironmongery there is a big market with its base at Karachi. Amritsar supplies iron and hardware nearly to whole of the Punjab, Kashmir, Northern India including Kabul and Baluchistan and the North Western Railway workshops. The comparative figures given on page 159 of the said Tariff Board Report corroborate our above remarks.

(*ii*) *About cheap labours.*—We beg to state that industry is mainly automatic and its operation is by merely automatic machines can be looked after by a single skilled workman. Thus this particular industry can do its purpose by means of a very cheap labour by procuring the services of few skilled workmen. In India such workmen may be procured in any number.

(*iii*) As the wire nail manufacturing is in its infancy and only very recently one or two companies have undertaken this task which up till now was the monopoly of German and Belgium manufacturers; and this identical duty on wire and wire nails have now made the foreign manufacturers the sole masters of such an important branch of industry which provides a tremendous field for the utilization of Indian labour and capital. This identical duty if continued will hamper its growth for good and India must depend upon foreign country for a thing *which could be easily produced by Indian labour and Capital.*

(*iv*) When once the protection is granted, and the Indian wire nail manufacturers receive little impetus; gradually plants will be installed for the manufacture of wire or wire rods from raw materials. The process had already begun. With the help of the desired protection, the industry will develop in no time, and when the wire nail manufacturers are allowed to work their factories with the help of Government protection even at a narrow profit, time will certainly not be far off when India, on account of his large home market and its consumption will be able to compete the foreign markets without any protection.

Wire chains, dowels, panel pins, rivets, etc.—The above remarks equally hold good for the manufacture of chains, panel pins, dowels, rivets, etc., on which duty is levied at present at the rate of 10 per cent. *ad valorem* while on its raw material (imported wire) the duty is Rs. 60 per ton which calculates over 40 per cent., according to present market value. In order to protect this part of the trade, we propose to raise the duty on chains, dowels, panel pins, rivets, etc., equal to our proposed increment in wire nails. This part of wire industry has come to a standstill and we request your Board to terminate the deadlock as soon as possible.

We have discussed the matter at length and we trust that your esteemed Board shall lose no time in recommending our suggestion, as we are running our factory even at a heavy loss but being certain that your Board will be convinced of the parity of our reasonings and accept our proposal in no time.

Awaiting your esteemed reply.

Copy of letter 2403, dated 21st February 1925, from A. Charles-Masquelier & Co., Charleroy, Belgium, to the Punjab Wire Nail Factory, Amritsar.

We are favoured with your esteemed enquiry of
received and in reply thereto have much pleasure in quoting you as follows:—

Continental make of superior quality.

Bright round mild steel wire, Basis	0/8	B.W.G.	£9-5-0 per ton.
Black annealed mild steel wire, Basis	0/8	B.W.G.	£9-15-0 per ton.
Galvanized mild steel wire, Basis	0/8	B.W.G.	£11-10-0 per ton.

(Galvanized by Hot Spelter Bath Process, guaranteed pure Zinc.)

Galvanized barbed wire, Basis	12	B.W.G.	£15-7-6 per ton.

(Glidden or Iowa pattern, 2 ply, 4 points at 3″ or 6″ part.)

The above basis prices are for packing in reels of ½ to 1 cwt. for smaller reels or coils, 10*s*. per ton extra.

All wire and barbed wire without packing. Packing under Gunny 10*s.* per ton extra.

Bright round wire nails with flat chequered countersunk heads, Basis 0/7 B.W.G. £11-5-0 per ton.

The basis for wire nails is for packing in bags, cases or kegs of 100 lbs. up. For packing in smaller bags, cases, kegs or special packing 10*s.* per ton extra.

All extras as per the attached list.

Galvanized strand wire, 7 ply, ¼″thick, in coils of 1 cwt. nett packed under gunny at £15-10-0 per ton.

Place of Delivery—C.i.f. Indian Main Ports.

Shipment—In about 4—6 weeks.

Terms—At 30 days sight D/P.

Hoping that you will favour us with your esteemed orders, which shall have our careful attention.

Statement III.—Letter, dated the 18th September 1925, from the Punjab Wire Nail Factory, Amritsar.

We beg to submit our reply as follows to the questions of the Board in your letter No. 499 of 9th instant.

(2) (*a*) Our factory was not running regularly owing to our being unable to compete the foreign prices, etc., hence we cannot submit exact accounts for any fixed period but we submit the estimated costs as under:—

Cost of 20 cases (1 ton) of nails in 8 hours.

	Rs.	A.
Wages of labourers, with supervision	30	0
Miscellaneous articles as lubricating, packing, repairing, power, rest, tools, etc.,	16	0
Interest on the total block capital	8	5
Office expenses, postage, travelling, etc.	5	0
Profit at the rate of 10 per cent. based on the factory is running 24 hours	9	2
	68	7

Thus the cost of production is Rs. 68-7 per ton whilst the difference in prices of wire and wire nails is Rs. 28 per ton. To defray the difference of Rs. 40-7, a protection of Rs. 40 a ton is required.

(*b*) Our present plant is to produce 20 cases in 8 hours but in case of our being able to compete the foreign prices by grant of protection, we can run our factory for full 24 hours as well as we can enlarge our plant to meet the demand and might stand in competition within few years with the foreign manufacturers even if the protection is withdrawn.

(*c*) Our total investments up to time are about Rs. 50,000.

(3) (*a*) The prices in our letter of 29th August were c.i.f. Indian ports.

(*b*) We have no fresh quotations after those submitted with our letter of 29th.

(*c*) No sales of wire at Lahore, hence no quotations. The imported wire costs about Rs. 12-8 per cwt. The wholesale price of wire nails is about Rs. 14 per cwt.

(*d*) The railway freight from Karachi to Lahore for wire and wire nails is the same to say Re. 1-10-11 per maund.

(4) The demand of wire chains, etc., is approximately not less than wire nails in Northern India. We installed the plant for these articles to make the experiments only in which we were quite successful and our produced articles were not in any case inferior to the foreign makes. As we met with the same difficulties of unfavourable prices, etc., as in case of wire nails hence we did not think it profitable to enlarge the plant. If the Board is pleased to grant the protection for these articles at the same rate as applied above for the wire nails, the industry can meet the foreign competition and can stand on its own footing after few years even if the protection is withdrawn.

(5) The prices of wire and wire nails are not the same as expressed by Mr. Walchand but there is a difference of about Re. 1-8-0 per cwt. in proof of which the quotations of a Belgium firm were submitted with our letter of 29th August and furthermore we submit herewith the quotations from Mr. Walchand's factory which show the same difference.

The protection is required only for few years when the industry is passing through the preliminary extra costs.

Statement IV.—Letter, dated the 18th September 1925, from the Punjab Wire Nail Factory, Amritsar.

In oral evidence I regret that I have failed to express my thoughts which were in my mind in reply to some of the questions owing to difficulty of language and now I beg you respectfully to add the following in my oral evidence and oblige:—

(1) It was a mistake in noting the yearly output of our factory only 300 tons which should be 900 tons based on 24 hours a day on the base of which we have made our costs.

(2) The item of 9 per cent. interest include waste of wire in making the nails, depreciation of machinery, etc., which I have not calculated separately.

(3) Regarding the burden on taxpayers:—I beg to state firstly that the protection is applied for in shape of increase of duty which will bring a larger amount of revenue to the Government. If the Government will get more revenue in one item, the Government have to decrease the same amount in other item thus there would be no effect on the pocket of the taxpayers. *Secondly*:—The manufacturing of 12,000 tons of wire would engage about 500 men of the country permanently whilst in making wire for the nails it would engage more men and in making rods, steel, etc., etc., it would engage more and more men thus more than 2,000 men will get their bread permanently by growing the industry in the country. *Thirdly*.—When the whole quantity of the nails is made in India it will save 20 lakhs of rupees yearly of the country which is paid to the manufacturers of nails in the foreign countries as the result of making nails in India would induce the country to make the wire locally and to use steel made in India which is the main purpose of the Government and which cannot be attained until if the industry of wire products is not grown up in full which would consume the wire and steel of India.

N.B.—The figures of men and value given above would be increased more and more when the industry is in the stage to export its surplus output to the countries near to India to say to Ceylon, Burma, Strait Settlements, etc.

Fourthly.—The protection will not last for ever but a protection for few years only will benefit the country for ever.

(4) As to the questions that the wire drawing mills can produce wire nails advantageously, I beg to submit that in India which is

like a continent, only one factory of wire drawing is not sufficient enough and there would be required to spring up more factories when the demand of wire is increased. In that case it would be more advantageous for a wire drawer to enlarge his plant for the same article than to entangle himself in other lines. If it is assumed that the wire drawer can produce wire nails advantageously then there would be no need also of wire drawer separately, as a manufacturer of steel from ores can draw wire advantageously, he can manufacture wire nails, other thousands of products of wire, etc., advantageously as well as he can make all other articles of iron and steel too enormously to detail in his own factory with advantage and there would be no need of wire drawer, nail manufacturer, machine maker, engineering shop, etc., etc., at all in the country and one factory of steel or iron producer will supply every thing made of iron and steel to the whole of the country. As it is not the case in any of the countries of the world, hence it cannot be practicable at all in India. India require dozens of factories of wire drawers, dozens of wire nail manufacturers, dozens of chain manufacturers, etc., etc., hence it would be necessary for the Government, if it wishes to make the country industrial, to protect every industry separately for a few years in its beginning.

(5) Regarding the chains, etc. There would be no example in the world as there is in India that raw material to say wire is charged with 40 per cent. import duty and its products to say chains, etc., with 10 per cent. import duty only. It is too much unjustification with industry of the country and the Government is requested to be pleased to levy the duty on all the articles made of wire at the rate as for the wire, in case the protection is not granted for the nails, etc., but in the case the protection is granted for wire nails it would be justified for the Government to grant no protection for the other articles of the wire such as chains, dowels, etc., etc. The chains are taking place of ropes in our province as these are sold at about the same price as for ropes whilst the former last many times more than the latter. When there is such enormous demand in our province, there is no reason why the similar demand is not in the other provinces of the country.

We hope that the Board will be pleased to think over the matter favourably and oblige.

THE PUNJAB WIRE NAIL FACTORY, AMRITSAR.

B.—ORAL.

Evidence of Mr. KHUSHI RAM, recorded at Calcutta on Friday the 18th September 1925.

President.—You are the proprietor of the Punjab Wire Nail Factory?

Mr. Khushi Ram.—Yes.

President.—When was your factory established?

Mr. Khushi Ram.—In January 1923.

President.—You have told us that your total investments up to time are about Rs. 50,000.

Mr. Khushi Ram.—Yes.

President.—Is that your fixed capital expenditure?

Mr. Khushi Ram.—I don't understand your question.

President.—Do you know the distinction between fixed capital expenditure and working capital? What is called fixed capital expenditure is what is spent on constructing the buildings, buying the machinery and installing it. The working capital is what is required for buying raw materials and paying the wages of the staff in anticipation of the payment you are going to receive. What I want to find out is whether the Rs. 50,000 is merely the fixed capital expenditure or whether it also includes the working capital.

Mr. Khushi Ram.—Approximately the present value of the factory is about Rs. 30,000 to Rs. 35,000. But I have lost about Rs. 15,000, because our costs of manufacture were higher than the market price of nails.

President.—Then the cost of buildings and machinery is only Rs. 30,000 to Rs. 35,000.

Mr. Khushi Ram.—It is only the cost of the machinery. The building is a rented one.

President.—How many nail machines have you?

Mr. Khushi Ram.—I have got six nail machines.

President.—If they work one shift, working 8 hours a day, these six machines will produce one ton?

Mr. Khushi Ram.—Yes.

President.—Do you work six days a week?

Mr. Khushi Ram.—Yes.

President.—Then it would be about 26 tons a month, about 300 tons a year.

Mr. Khushi Ram.—Yes.

President.—How many workmen do you require for these six machines?

Mr. Khushi Ram.—I requires six attendants, one foreman and two mechanic fitters to make tools; in all about 14 men are required for the whole factory.

President.—Is that only for nails or also for the chains?

Mr. Khushi Ram.—No, for nails only.

Dr. Matthai.—Have you got these men with you now?

Mr. Khushi Ram.—I am not now running the factory. I cannot bear so much loss in running it.

President.—Of these 14 men how many are just ordinary coolies or unskilled people?

Mr. Khushi Ram.—There are about four unskilled coolies.

President.—What would be their rate of wages?

Mr. Khushi Ram.—12 annas a day.

President.—That is about Rs. 18 a month.

Mr. Khushi Ram.—Rs. 18 to Rs. 20 a month.

President.—Then the other ten men, what sort of wages do they get?

Mr. Khushi Ram.—The man who looks after the machine gets about Rs. 2 to Rs. 2-4-0, the mechanic fitter who makes tools about Rs. 2-8-0 per day and the foreman Rs. 5 per day.

President.—Perhaps, it would be easier to put it this way. What would the wages of these 14 men amount to per month?

Mr. Khushi Ram.—I think about Rs. 700 to Rs. 800.

President.—That would mean an average salary of about Rs. 50. I don't think it would be so much as that.

Mr. Khushi Ram.—There are only four coolies who get twelve annas a day. There is one foreman who gets Rs. 150 a month and one supervisor who gets about Rs. 60 to Rs. 70 a month.

President.—With reference to the question of your costs, we have already taken the evidence of a Calcutta firm who makes nails, *viz.*, The Pioneer Wire Nail Manufacturing Company. According to the actual cost given by them for a period of two months, the cost of wages per ton of nails was only Rs. 11, whereas your figure is Rs. 30 so that your figure seems to be rather high.

Mr. Khushi Ram.—Rs. 11 would cover only the cost of the attendant.

President.—He has got only two machines and has got two men to look after them.

Mr. Khushi Ram.—I have got six machines. I require one foreman and one supervisor and the factory which has two machines does not require any foreman; nor does it require a supervisor.

President.—What I was going to draw your attention to is this. You say: "We beg to state that the industry is mainly automatic and its operation is by merely automatic machines can be looked after by a single skilled workman. Thus this particular industry can do its purpose by means of a very cheap labour by producing the services of few skilled workmen. In India such workmen may be procured in any number." But the cost of wages according to your estimate is greater than the whole difference between the price of nails and the price of wire in Europe.

Mr. Khushi Ram.—It is for the preliminary stage only. The cost would be considerably reduced when we enlarge our factory. At the beginning I have to pay more wages to get more skilled workmen to run these machines, but after a time I hope to be able to dispense with the highly paid men and employ only men on a lower salary.

President.—What reduction do you think is possible?

Mr. Khushi Ram.—Every machine now requires one man who wants about Rs. 2-4-0 a day. After a time one skilled man will suffice for two or three machines and a trained cooly who will get about one rupee a day will attend to each machine.

President.—At present you have put it down as Rs. 30 per ton. What do you think the wages will come down to? Do you think you can bring it down to Rs. 20 a ton?

Mr. Khushi Ram.—Rs. 20 or even Rs. 15 because a supervisor who is supervising six machines can supervise 10 to 20 machines and only one foreman is required even if there are 20 machines.

President.—I don't want to take into account at present any question of enlargement of the factory, because if protection is given, you will find very soon that other factories will be established, you will have other competitors in India and therefore you had better not calculate on being able to increase the number of machines.

Mr. Khushi Ram.—We would be the first to enlarge the factory. A new man cannot instal more machines than we.

President.—There are one or two other things in the table of cost that I don't clearly understand. You have given interest on block capital and then below that you give the profit. I don't understand what the difference is between these two things. The profit is what the proprietor ought to get as interest on his block capital. What do you mean by block capital?

Mr. Khushi Ram.—I mean the total capital on machinery and working capital also.

President.—How did you get at this figure of Rs. 8-5-0?

Mr. Khushi Ram.—I estimated Rs. 1,00,000 as the capital required to run my factory.

President.—But why?

Mr. Khushi Ram.—To import raw material and to stock. The wire must be stocked of every thickness.

President.—What you mean is that the interest on Rs. 1,00,000 includes both the interest on the fixed capital and on the working capital?

Mr. Khushi Ram.—Yes.

President.—What rate of interest did you take?

Mr. Khushi Ram.—9 per cent.

President.—That is Rs. 9,000.

Mr. Khushi Ram.—Yes.

President.—By what did you divide it to get at Rs. 8-5-0 a ton?

Mr. Khushi Ram.—Interest comes to Rs. 25 daily.

President.—What tonnage did you take?

Mr. Khushi Ram.—I divided into three shifts and thus it works to Rs. 8-5-0 per ton per day.

President.—In that calculation you are going to get 9 per cent. on the capital you have spent in buying your machinery, but do you think you are entitled to get a profit besides that? Why should you?

Mr. Khushi Ram.—9 per cent. interest does not include profit. Only 9 per cent. is not sufficient for a factory.

President.—You will find difficulty in persuading the Board to give you anything higher than 10 per cent. which is the maximum. In any case you have taken as the profit 10 per cent. on Rs. 1 lakh, and you are now asking for 19 per cent. both on your working capital and on your fixed capital.

Mr. Khushi Ram.—Yes.

Dr. Matthai.—How much of this Rs. 50,000 is your own and how much have you borrowed?

Mr. Khushi Ram.—I have not borrowed anything.

President.—What about depreciation?

Mr. Khushi Ram.—I am sorry, I don't understand your question.

President.—You ought to set aside every year so much money on account of the fact that your machinery is getting older every day and some day you will have to buy new machines to replace the old ones. You have made no provision for that, have you?

Mr. Khushi Ram.—I have included all this in the 19 per cent.

President.—Anyhow there should be a provision for it. If you have spent Rs. 30,000 on machinery at the rate of 7½ per cent., it would come to Rs. 2,200 which would have to be set aside every year on account of depreciation. That would not amount to anything very high, but still it has got to be taken into account. Then there is another thing that you have not taken into account. How much wire have you got to use to make one ton of nails? What is the wastage?

Mr. Khushi Ram.—The wastage is only about one per cent.

President.—Is that your experience?

Mr. Khushi Ram.—Yes, about 1 to $1\frac{1}{2}$ per cent. is the wastage. I have got three machines which do not waste absolutely any material.

President.—Don't they waste any?

Mr. Khushi Ram.—No. Cuttings from the point are pressed in the head of the next nail.

Dr. Matthai.—Is it an English machine?

Mr. Khushi Ram.—No, it is a German machine.

Dr. Matthai.—When did you get it?

Mr. Khushi Ram.—In 1923.

President.—It seems a very ingenious machine? Whatever wastage there is must be taken into account in calculating your cost.

Mr. Khushi Ram.—It must be taken into account.

President.—I admit that if it is only one per cent., it is not very high, but still it is something.

Mr. Khushi Ram.—The ordinary machines waste 2 to $2\frac{1}{2}$ per cent., but I have got three machines of the special type which do not waste any material.

President.—Have you realised that in actual working?

Mr. Khushi Ram.—Yes, in actual working.

President.—You used one ton of wire and got one ton of nails or whatever the quantity was?

Mr. Khushi Ram.—Yes.

President.—I want to ask you about prices. First of all let me tell you this. The reason why we asked you for the current selling price at Lahore is that in your original letter you described the Punjab Wire Nail Factory as being at Lahore.

Mr. Khushi Ram.—At first it was in Lahore.

President.—When did you move to Amritsar?

Mr. Khushi Ram.—In March 1925.

President.—What are the prices of wire and wire nails to-day in Amritsar?

Mr. Khushi Ram.—There is no market for wire.

President.—Don't you buy any wire there?

Mr. Khushi Ram.—No. I always import from foreign countries. I don't buy any wire from the market of Lahore.

President.—Surely you can say at what price you could get nails if you are selling nails to-day.

Mr. Khushi Ram.—About Rs. 14 a cwt.

President.—In Amritsar?

Mr. Khushi Ram.—Yes.

President.—What would be the price of wire in Amritsar?

Mr. Khushi Ram.—There is only very little demand for wire as such. If you want to get one or two tons of wire, you will have to see all the shops of Amritsar and Lahore. Even then it will be difficult to get it.

President.—You have given the figure for freight from Karachi to Lahore as Re. 1-10-11 per maund, but I have worked it out per ton. It will be about Rs. 45 to Lahore. As your factory is at Amritsar, it will be a little more.

Mr. Khushi Ram.—Yes, about one anna a maund more to Amritsar.

President.—About Rs. 47 a ton?

Mr. Khushi Ram.—Yes.

President.—If the price of nails is Rs. 14 per cwt. in Amritsar, it comes to Rs. 280 a ton?

Mr. Khushi Ram.—Yes.

President.—If you take off the freight, which would be about Rs. 50, you get down to Rs. 230 in Karachi.

Mr. Khushi Ram.—Yes.

President.—Then if you make some allowance for landing charges, etc., it would be about Rs. 225 c.i.f., is it not?

Mr. Khushi Ram.—Yes.

President.—I cannot reconcile these figures in any way with the price quoted to you by the Belgian firm.

Mr. Khushi Ram.—There is the Customs duty of Rs. 60 per ton. There is also the terminal tax of six annas per maund on all goods entering the city of Amritsar.

President.—That will explain it.

I wanted to ask you about wire chains and various other miscellaneous things. The figure you gave was Rs. 30,000 to 35,000. Was that the cost of nail machines only or was that the cost of nail machines and other machines for making other things?

Mr. Khushi Ram.—I have got a small plant for each kind.

President.—What would be the total cost of these machines?

Mr. Khushi Ram.—The machine for making wire chains costs about £250 c.i.f.

President.—What I want to get at is the total cost of the machines you bought which are not used for making nails?

Mr. Khushi Ram.—I have got only one other machine for making wire chains. Dowels can be made in the nail making machine. No separate machine is required for making dowels.

President.—Apart from the nail machines, the chain machine is the only one that you bought?

Mr. Khushi Ram.—Yes.

President.—It cost you about £250?

Mr. Khushi Ram.—Yes.

President.—Was that the c.i.f. price?

Mr. Khushi Ram.—Yes.

President.—You had to pay freight on it to bring it up-country?

Mr. Khushi Ram.—Yes.

President.—The exchange was about 1*s.* 4*d.* at the time you bought it I suppose?

Mr. Khushi Ram.—It had cost me Rs. 3,500 to Rs. 4,000.

President.—That is about 1/10th of your total expenditure.

Mr. Khushi Ram.—Yes.

President.—You have not incurred much expenditure on arrangements to manufacture these other things. It is just this one machine?

Mr. Khushi Ram.—Yes.

President.—What are these wire chains used for?

Mr. Khushi Ram.—In the Punjab these are used in place of rope for drawing water from the wells, etc.

President.—Are they used by ordinary cultivators or by zemindars?

Mr. Khushi Ram.—They are used by cultivators. The wire chains cost less and last longer. There is more demand for these chains in the Punjab. About one year ago, the price of wire chains was Rs. 30 per maund and now it is Rs. 13 per maund.

President.—It is less than the price of nails?

Mr. Khushi Ram.—Yes, nails are selling at about Rs. 14 per cwt.

President.—The price of chains would be roughly Rs. 18 per cwt.?

Mr. Khushi Ram.—Yes.

Dr. Matthai.—How much would it cost you to buy a chain to draw water from a well, say, 30 feet deep?

Mr. Khushi Ram.—A piece, 100 feet long, weighs 20 seers which costs Rs. 6-8-0.

President.—I don't think you have made out a strong case about chains. You have told us really very little about them. What would it cost you to make these chains? Have you any idea of the cost?

Mr. Khushi Ram.—No, but I am sure if the same protection is given to wire chains, then this industry would be able to work with profit.

President.—It is all a question of cost. Unless you know what the cost is going to be, you cannot tell whether it would be enough or not. Have you thought of this? We know from experience that if any proposal is made for a protective duty which is likely to fall heavily on the cultivator, *i.e.*, the man who ploughs the land, there is always a good deal of objection. The members from the country constituencies will oppose it.

Mr. Khushi Ram.—The cultivators won't have to pay more for ever. After a time, there will be many competitors in the country itself. In that case, they will get them cheap.

President.—Another point I wanted to ask you is where do you get your power from? Do you use electricity or steam or what?

Mr. Khushi Ram.—I use an oil engine.

President.—Is it run by ordinary kerosene?

Mr. Khushi Ram.—It is crude oil engine.

Dr. Matthai.—What horse power is your engine?

Mr. Khushi Ram.—20 h.p.

President.—I want to come now to the main point. The difficulty the Board felt which we explained to you in our letter was that the evidence put before us in our first enquiry was that wire and wire nails sold at about the same price and sometimes nails were actually cheaper than wire. I understand from your letter that you don't admit that that was the case. In fact, you say that the price of wire nails is generally £2 more than that of wire.

Mr. Khushi Ram.—Yes.

President.—In your letter to the Government of India written in October 1924, you gave as a reason for protection the investigation of the Tariff Board made in connection with the Steel industry:—

> "Firstly—the price of the imported nails is about the same as that of wire and is sometimes actually lower, and secondly, the German manufacturer sold his nails cheaper than his wire, because what he spent on the slight labour and overhead of machinery, he more than recovered by using up the short length and waster coils of wire in making the nails".

Apparently in October 1924, you accepted the Board's view as correct.

Mr. Khushi Ram.—At the time when I wrote this paragraph I had before me only the Report of the Tariff Board, but after getting price lists and quotations from foreign markets I found out that there was a difference of £2. The foreign manufacturers could not certainly sell wire and wire nails at the same price.

President.—To my mind the important thing just now is not to argue what they could or could not do, but to find out the facts. You have given us some very recent prices but when you make a statement that the price is awalys £2 higher, you should give us comparative prices for other periods in 1923 and 1924. Can you give us those figures?

Mr. Khushi Ram.—No.

President.—Then, I think that your statement goes a little far. Nobody has denied that sometimes the price of nails is higher than the price of wire.

In fact that it is higher at one particular time does not prove that it is always higher.

Mr. Khushi Ram.—In my experience it is always higher. I think that it was in 1923 that Mr. Walchand gave evidence that nails and wire were selling at the same price. In 1924, after a few months, he himself sent us a price list which showed a difference of Rs. 1-8-0 per cwt. or Rs. 30 per ton.

President.—Mr. Walchand never suggested that the price of nails was always as low as or lower than the price of wire. All that he said was that usually they sold at about the same price and sometimes nails were lower.

Mr. Khushi Ram.—I think that it is not the case.

President.—It is incumbent on you, if you want to challenge that, to obtain more information about prices of wire and wire nails on different dates. It was always Germany that did it. Have you ever tried to buy wire from Germany?

Mr. Khushi Ram.—Whenever I need wire, I always send my enquiries to Belgium, Germany and England. After comparing the quotations I buy whichever is cheaper. When I started the factory first of all I bought from Germany, but after two or three lots I began to buy from Belgium. Sometimes Belgium is cheaper and sometimes Germany is cheaper, but the difference between the two is only very little.

President.—According to what you told us in your oral examination today, 14 men can produce 300 tons of wire nails a year. In that case, about 560 men can produce 12,000 tons which is all that India needs. You say that this is an important branch of industry which provides a tremendous field for the utilisation of Indian labour and capital. I do not call 560 men a tremendously larger number.

Mr. Khushi Ram.—The nail industry can give employment to 560 men and the chain industry would employ more than this number.

President.—Surely not; I have never seen wire chains being used in any part of Bengal or Bihar.

Mr. Khushi Ram.—When we are able to manufacture wire nails with profit, it is certain many other factories will spring up for making wire.

President.—Where do you think that they will spring up?

Mr. Khushi Ram.—In many parts of the country.

President.—Why should they?

Mr. Khushi Ram.—Because there will be a demand for wire in the country. Up till now, there has been no demand for it. That being so, how can we expect factories for making wire to spring up?

President.—It is most likely that if wire factories are started, they will be near steel works, otherwise they will have to pay a great deal of unnecessary freight.

Mr. Khushi Ram.—Supposing I have got my factory also near where steel is produced, then the province which requires nails will have to pay freight on nails.

President.—If your factory is at Amritsar, it is always cheaper to use imported wire than Jamshedpur wire because the freight from Karachi to Amritsar is less than the freight from Jamshedpur to Amritsar.

Mr. Khushi Ram.—There is not much difference between the two. There is a difference of only a few annas, because the East Indian Railway have given concession rates.

President.—They have given to the Tata Iron and Steel Company and not to the Indian Steel Wire Products, Limited.

Mr. Khushi Ram.—The special rates are, I know, for the Tata Iron and Steel Company, but the through rate from Jamshedpur is lower than the ordinary rate. The freight from Karachi to Amritsar is Rs. 1-11-0 per maund, and the freight from Jamshedpur to Ambala which is very near to Amritsar is Rs. 1-6-0.

President.—There will be a big charge for the short distance from Ambala to Amritsar.

You say that because the consumption of nails in India is three times as great as the consumption of wire, therefore the nail industry ought to be regarded as the important thing and the wire industry as only a bye-product. I cannot clearly understand your view.

Mr. Khushi Ram.—Wire is manufactured only to make other products. It is not directly used in large quantities.

President.—That is not true of other countries. It is not true of Germany, it is not true of England.

Mr. Khushi Ram.—That is right, but I think that out of the total production of wire, nearly one half is used in making nails.

President.—I don't think that is so in any of the European countries. The amount of wire used in European countries is infinitely greater than the amount used in India.

Mr. Khushi Ram.—They make many other articles out of wire.

President.—I daresay they do. The nails are a far more important branch of consumption in India than they are anywhere else. I am afraid that your argument is not at all convincing.

Dr. Matthai.—In the letter which you sent us last week, you have given a list of German manufacturers who only make nails. Where did you get these names from?

Mr. Khushi Ram.—I got them from Kelly's Directory. There are two columns one side showing wire nail manufacturers and one side showing wire manufacturers. If the same companies are making both the things, their names appear in both the columns.

Dr. Matthai.—That is all the information you have?

Mr. Khushi Ram.—Yes.

Dr. Matthai.—How much of your output do you think is likely to be sold in the Amritsar market?

Mr. Khushi Ram.—I can sell my whole production in the Amritsar market which is the biggest market in the Punjab.

Dr. Matthai.—Is the market just for the Amritsar district, or for the whole of the Punjab?

Mr. Khushi Ram.—Not only Amritsar but also Lahore, Gujaranwala and others. I think there are five or six districts which are getting supplies from Amritsar. Lahore is not a good market for hardware.

Dr. Matthai.—That was the reason why you removed to Amritsar?

Mr. Khushi Ram.—Yes, and the second reason for moving from Lahore was that the Municipality had levied a terminal tax instead of octroi. The octroi was refundable on goods which are exported to out-stations but the terminal tax is not refundable. For these reasons I was compelled to shift my factory.

Dr. Matthai.—Of the six machines that you have now, which has the largest output in a given time?

Mr. Khushi Ram.—The one that I bought in 1924.

Dr. Matthai.—Is that a German machine?

Mr. Khushi Ram.—Yes. It is producing about 7 or 8 cwts. daily.

Dr. Matthai.—Do you know of the capacity of the machines worked in the Steel Wire Products?

Mr. Khushi Ram.—No.

Dr. Matthai.—How does your machine compare with that of the capacity of machines in German factories? Is it one of the best that you have?

Mr. Khushi Ram.—I have collected the prospectuses of nearly all the firms in Belgium and Germany. In my opinion, the machines that I have got are of the up-to-date type.

Dr. Matthai.—For running a machine, you want one skilled man and a cooly, don't you?

Mr. Khushi Ram.—Yes.

Dr. Matthai.—Does each machine require one skilled hand or can you get one skilled man to look after two or more?

Mr. Khushi Ram.—One ordinary skilled man for one machine and one foreman for 6, 7 or 8 machines.

Dr. Matthai.—Do you want a mechanic for each machine?

Mr. Khushi Ram.—Yes, otherwise if two or three machines go out of order, one skilled man or foreman cannot look to them at the same time, with the result that one or two machines will remain idle.

Dr. Matthai.—Does it require a great deal of care on the part of your mechanics to get nails made of the right size?

Mr. Khushi Ram.—Yes. Every skilled fitter who can drive a machine cannot make nails. It requires considerable experience to carry on.

Dr. Matthai.—Are your nails tested? What I mean is the bulk of your nails are sold in the bazar and in the bazar they are not very particular about the quality of the nails, are they?

Mr. Khushi Ram.—There has been no objection about the quality. All I can say is that my nails are sold at the same price as those made in Belgium or Germany.

Dr. Matthai.—You will remember Mr. Walchand told us that one reason why Germany is able to sell nails at practically the same price as wire is because they use rejected wire, *i.e.*, waste or shortlength wire. Do you accept that?

Mr. Khushi Ram.—No.

Dr. Matthai.—And one reason why Mr. Walchand's statement cannot be accepted—so it is given in a letter we have received, not from you but some other firm—is that nails require a certain quality, and that if you take waste or shortlength wire you cannot get out of that nails of sufficiently good quality.

Mr. Khushi Ram.—I am afraid I can't say anything about that.

Dr. Matthai.—What kind of organization have you for the sale of your nails?

Mr. Khushi Ram.—We sell to wholesale customers in the bazar. My travelling agent goes to them.

Dr. Matthai.—How many travelling agents have you got?

Mr. Khushi Ram.—One is sufficient for my purpose. Once my nails are introduced in the bazar my customers come to me or write to me and place orders.

Dr. Matthai.—Don't you think it is likely that if we have factories in India making both nails and wire they would be able to do them more economically than a factory like yours which makes only nails? There are various ways in which they can economise and produce these things cheaply.

Mr. Khushi Ram.—It is all a question of capital. With more capital they can do more than one thing at a time.

Dr. Matthai.—What you are asking us to do is to give protection when you are carrying on your business in a way which is not reasonably economical.

Mr. Khushi Ram.—I think the nail industry is separate from the wire industry. Wire has got its own profits.

Dr. Matthai.—Suposing you have a businessman who does both the things in the same factory, don't you think he would be able to make nails much more cheaply?

Mr. Khushi Ram.—I don't think he would be able to quote a very much lower price. A bigger factory means bigger establishment, then he will have to spend more for a larger building and so on. There would be very little saving that way.

Dr. Matthai.—There is just one other point I want to put to you. In the first letter you sent to the Government of India, you gave certain reasons for protecting the nail industry. All these reasons simply mean this, that you are at present suffering a certain amount of loss and you want Government to take steps for preventing that loss. Have you ever tried to look at it from the point of view of the country? You are asking the country to give you protection, but what advantage is the country likely to get from it? Supposing your nail industry develops to such an extent that the whole demand of this country is met by the Indian industry, you are not likely to give employment to more than 300, 400 or at the most 500 people. This does not require any special training, because it is an automatic machine. Then again you are not utilising Indian raw material. So the Indian taxpayer may turn round and say "what advantage am I going to get by giving these people protection"?

Mr. Khushi Ram.—The first thing for the country is to see that there are factories which consume wire for the manufacture of their products. If there is no such demand for wire there will be no factory to make wire. So when there are factories which manufacture other products from wire, there will be heavy demand for the wire and then more factories would spring up to manufacture wire. At present there are very few factories to make articles from wire. You have already given protection to the Indian Steel Wire Products, Limited, but in spite of that they are compelled to sell their products at a higher price than the foreign price because they have not got a big market for their products.

Dr. Matthai.—If we put a duty on nails and make nails more expensive in India what answer can we give to the taxpayers when they ask "why should we bear the burden"?

Mr. Khushi Ram.—They won't have to bear the burden for a very long time.

Dr. Matthai.—But there is a certain amount of burden.

Mr. Khushi Ram.—For a short time only, but as a result of that burden they would be able to get these articles cheaper than they are getting now.

Witness No. 3.

THE PIONEER WIRE NAIL MANUFACTURING CO., CALCUTTA.

A.—WRITTEN.

Statement I.—Representation, dated the 9th July 1925, to the Tariff Board.

With regard to the question of need for additional protection for wire nails, I beg to submit that all the circumstances that your Board definitely found in respect thereof in November last year prevail in precisely the same degree as then, *viz.* :—

(1) *Exchange factor.*—The sterling exchange instead of falling below 1*s.* 6*d.* has gone up a shade higher.

(2) Sterling c.i.f. price remains the same and the conditions in the European steel industry tend to a fall rather than any rise in the near future.

(3) *Accumulation of stock.*—There has been a considerable reduction in import since March last as follows :—

	TONS.	
	1924.	1925.
March	776	173
April	848	323
May	1,227	235

The huge previous accumulation had to be absorbed and the denial of the apprehended increase of duty allowed time for a pause. The temporary lull in import therefore can have no permanent bearing on the point and the selling price has hardly been affected.

Your Board, accordingly will be pleased to repeat their recommendations for additional protection to the extent of Rs. 30 per ton, which would only just compensate for the rise in the exchange.

Then for the form of the required additional protection.

Considering the small percentage of production as compared with the total consumption I am for bounty.

According to the calculation of your Board, 9,000 tons of wire nails would have to be imported annually for the next two years, yielding an additional revenue on account of the protective duty of 2 lakhs each year. The cost of bounty to estimated production of 2,000 tons next year would come to Rs. 60,000 only, and may very well be met out of the additional revenue. An increase of duty entails an additional burden of $9 \times 30 = 2{\cdot}7$ lakhs while the subsidy appropriates only an inconsiderable portion of the existing burden to the purpose it was imposed for.

Finally, I understand from the Director of Industries, Bengal, that my application to him for rebate of Customs duty on wire in lieu of compensatory protection denied to wire nails is being forwarded to your Board through the Government of Bengal for consideration along with the question of additional protection and he has asked me to avail myself of the opportunity to appear before your Board. I shall be glad to do so if your Board think it necessary.

Statement II.—Letter, from the Government of Bengal, to the Tariff Board, dated 10th July 1925, forwarding two representations from the Pioneer Wire Nail Manufacturing Company, Calcutta.

With reference to the resolution of the Government of India, Department of Commerce, No. 260-T. (37), dated the 18th June 1925, I am directed to forward for consideration by the Board copies of two applications in duplicate Reference No. 13, dated the 28th January 1925, and Reference No. 33, dated the 10th March 1925, from the Pioneer Wire Nail Manufacturing Company, Calcutta, addressed to the Director of Industries, Bengal, praying for the grant of a rebate on customs duty on wire required by the Company for the manufacture of Wire Nails.

ANNEXURE.

No. I.

Representation from the Pioneer Wire Nail Manufacturing Company, Calcutta, dated the 28th January 1925, to the Director of Industries, Bengal, Calcutta.

I beg leave respectfully to address you as follows:—

The trade boom of 1920 lured me to start at an initial outlay of Rs. 25,000 [*vide* Enclosure I] a small wire nail-making plant, the products of which were awarded a Silver Medal in the Calcutta Exhibition of 1923. [*Vide* Enclosure II.]

"The boom," says the Tariff Board, "was not of long duration, however, and the fall of prices in 1921 was as rapid as the rise had been. Throughout 1922 and 1923 prices have continued at low level," with the result that "the Indian manufacturer selling in competition with imported steel failed to realise a fair profit or incurred an actual loss."

To save the situation, therefore, protection in the form of import duty had to be accorded to steel and the subsidiary industries comprising the Wire Nail industry.

The fundamental difficulty of this industry, however, is the fact recognised by the Tariff Board that "the price of imported wire nail is about the same as that of wire and is sometimes actually lower." [*Vide* Enclosure III.]

"The preservation of the industry as it exists at present," therefore, clearly caller for a judicious discrimination in duty between wire and wire nail in conformity with the recommendations of the Indian Fiscal Commission. [*Vide* Enclosure IV.]

For reasons stated in their Report [*vide* Enclosure V] however, the self-same amount of duty was recommended by the Tariff Board on either of them alike and accepted by the Legislature. These reasons are fully discussed in the Memorandum in Enclosure VI, paragraph 5 whereof touching the fundamental reason relied on by the Tariff Board for the equality of duty, I would like to draw your particular attention.

All these in spite, it might seem inexpedient to enhance the duty on nails at the cost of the country in the sole interests of one producing only an inconsiderable portion of her total requirements.

At the same time, according to the Tariff Board, "this particular industry is favourably situated with reference to Indian industrial conditions and the chances of its success are considerable." [*Vide* Enclosure VII.]

"In itself," therefore, "the establishment of the industry in India is clearly desirable" as observed by the Tariff Board on precisely the same grounds with respect to Tinplate industry, and as such, "some assistance" in the words of the Tariff Board again, "confined to the minimum which will suffice to keep the industry going till it can stand alone," can hardly be deemed unjustified, especially in the present case, being in lieu of the compensatory protection denied to the industry.

I am persuaded thus, to approach you with the humble prayer that in so far as I have had to be deprived of the benefit of the legitimate compensatory protection for wire nails, I may graciously be allowed instead the concession of receiving a rebate of the protective part of the import duty on wire in proportion to my output of finished goods.

On general principles the Tariff Board have disapproved of "assistance of this kind" on the ground that "it would be wholly inconsistent with protection to exempt from duty anything which is produced at Jamshedpur."

But, to quote the authority of the Board itself, "in order to do justice to the facts of the case" and to avoid the radical inconsistency of "at once raising the price of wire nail to the consumer and at the same time failing to preserve the industry" the exceptional circumstances created by the withholding of compensatory protection entitles my case to special consideration on its own merits.

For the present, moreover, "the only company in India equipped for the manufacture of wire, The Indian Steel Wire Products Ltd., has shut down its factory and not manufacturing at present" says the Tariff Board. So, the inconsistency contemplated by the Board will not arise unless and until "it should resume operations again." Meanwhile, as, according to the Board "there is no need for protection unless there is something to protect," the protective part of the duty on wire remains an unnecessary impediment in my way.

Relying on the fact that the Tata Iron and Steel Company have agreed to grant concessions to certain subsidiary industries, the Tariff Board would prefer: "Special arrangement" for obtaining my supply of wire at a price I paid before, without the protective duty, from the Indian manufacturer, whose "interest it is that the manufacture of wire nail in India should continue and if an increase in the price of wire were likely to endanger its existence, he would no doubt take the fact into account."

Unlike the Iron and Steel Company however, the Wire Products Company are the manufacturers themselves of wire nails as well and my attempt for such an arrangement has necessarily failed. [*Vide* Enclosure VIII.]

I thereupon tried to bring the influence of the Tariff Board to bear [*vide* Enclosure IX] but they have not considered it on the ground that the request was not relevant to their enquiry.

In the very peculiar circumstances of the case, therefore, assistance in the form prayed for would seem to be the only feasible one.

Still another objection raised by the Board is that as "some sacrifice of revenue may be involved, the relative urgency of various claims may have to be settled."

As for sacrifice of revenue, the importation of abnormal quantities of wire nail into India since the passing of the Steel Industry (Protection) Act must have appreciably contributed to the "considerable surplus of revenue from protective duties." The duty on wire has also unnecessarily swelled the surplus during a part of the period and is doing so still. The sacrifice involved in exempting 100 tons of wire annually from the protective duty would therefore seem incomparably small and not unworthy of the object in view.

As regards the urgency of my claim I must so long have cried in the wilderness if it has not yet appeared clear to you that a disastrous failure stares me in the face but for the small concession I so earnestly pray for.

ENCLOSURE I.

Statement of Capital Outlay.

	Rs.	A.	P.
I. Machinery:—			
1. One Reyerson Gladder Nail Machine including customs and other charges	5,163	13	3
2. One W. Grice & Son's Nail Machine including customs and other charges	1,443	12	6
3. One W. Canning & Co.'s Polishing Barrel including customs and other charges	216	13	0
4. Two Wire Reels—			
From Hartley & Sleeper	189	0	0
From Baird Machine Co.	108	4	6
5. Three Electric Motors—			
From Crompton & Co. $\frac{1}{4}$ B. H. P.	240	0	0
From Heatly Gresham 2·25 B. H. P.	600	0	0
From Heatly Gresham 4 B. H. P.	830	0	0
6. One Oil Engine 6 B. H. P.	2,015	0	0
7. Power Transmission Appliances	104	14	0
II. Small Tools	461	14	6
III. Wire— 37 tons of nail wire— 18 to 11 B. W. G.	13,528	1	6
IV. Factory Shed	1,880	15	3
Grand Total	26,782	9	3

RAMCHANDRA BASAK,
Proprietor.

ENCLOSURE II.

CALCUTTA EXHIBITION 1923.

40/1A, Free School Street.

GENERAL SECRETARY.
T. EMERSON, ESQ., C.I.E., I.C.S.

Calcutta, 26th February 1924.

Messrs. PIONEER WIRE NAIL MANUFACTURING CO., 168, Manicktolla Street, Calcutta.

Dear Sirs,

I have been instructed to inform you that the following is the result of the judging of your exhibits in the Calcutta Exhibition.

Exhibit.	Award.
Nails.	Silver Medal.

According to these decisions you are entitled to purchase one silver medal.

You might also very kindly state whether the description of your exhibit is accurate and comprehensive.

Yours faithfully,

D. B. MEEK,
Joint Secretary.

The 29th February 1924.

ENCLOSURE III.

INSUFFICIENT MARGIN OF DIFFERENCE BETWEEN THE PRICE OF WIRE AND WIRE NAILS.

I. Evidence of the Indian Steel Wire Products Ltd., Jamshedpore, the only other Wire Nail Manufacturing firm in India before the Indian Fiscal Commission:—

"The margin between the price of raw material and the finished products is not enough to cover the total manufacturing cost and to leave profits."

"The difference between the prices of the raw material and the finished product is so small as not to be enough to guarantee any profits.

II. Indian Tariff Board:—

"The price of imported wire nails is about the same as that of wire and is sometimes actually lower."

III. Actual prices paid and received by me for wire and wire nails respectively during the period from November 1921 to December 1922.

Gauze of Wire	Date of Landing	Cost per Cwt Rs. A. P.	Size of Nail made	Price of Nail at the time Rs.
11, 12, 13	Nov '21	18 2 0	2½″	16
			2″	19
			1½″	21
16	Dec '21	20 1 0	1″	22
17	,,	20 14 0	¾″	24
11, 12, 13	Jan '22	17 10 0	2½″	15
			2″	18
			1½″	20
13	Apl '22	17 1 6	1½″	20
12	Aug '22	16 3 0	2″	19
16	,,	19 2 0	1″	21
18	,,	21 4 0	½″	...
15	Oct '22	17 5 0	1″	20
14	Dec '22	19 7 6	1¼	18

ENCLOSURE IV.

RECOMMENDATIONS OF THE FISCAL COMMISSION REGARDING PROTECTIVE DUTY ON PARTLY MANUFACTURED GOODS.

115. (Partly manufactured Goods.) In the case of partly manufactured goods the problem of conflicting interests are most likely to arise than in the case of primary raw articles. The fundamental difficulty is that a duty imposed on partly manufactured goods has to be carried on to a greater or less extent into the duty imposed on any finished articles into whose composition they enter. If for instance the finished article in itself requires a protective duty of 15 per cent., and if a duty is imposed on any materials which are used in making the finished articles, then the duty of 15 per cent., will have to

be increased to compensate for the additional cost of manufacture caused by the taxation of the partly finished goods.

[Paragraph 115 of the Report of the Indian Fiscal Commission.]

ENCLOSURE V.

Reasons adduced by Tariff Board for equality of duty on wire and wire nails.

We have not examined separately the cost of production of wire nails. These nails are manufactured from wire by means of simple automatic machines several of which can be looked after by a single workman properly trained for the purpose, and the extra cost is not large. The price of imported wire nails is about the same as that of wire and is sometimes actually lower.

[Paragraph 45, page 131, Report of Indian Tariff Board regarding the grant of Protection to the Steel Industry.]

The manufacture of nails is separated from that of drawing wire by the intervention mainly of automatic machines, several of which can be looked after by a single workman properly trained for the purpose. * * * * Owing to the simplicity of the machinery, the expenditure of direct labour on the production of nails is likely to be so small that it is unnecessary to examine the cost of their production separately from that of manufacture of wire. * * * * Mr. Walchand, one of the Directors of the Company [The Indian Steel Wire Product Company], who gave evidence [reproduced below], complained that the German manufacturer sold his nail cheaper than his wire, because what he spent on the slight labour and overhead on machinery he recovered by using up the short lengths and "Waster" coils of wire in making the nails. The principle can be applied to Indian conditions only with a good deal of caution and not a little modification, but it may be taken as an indication of the low cost of nail making operation, and as a sufficient additional reason for not separately examining the cost of production of the two articles.

[*Ibid*, paragraph 6, page 201.]

Evidence of Mr. Walchand.

Q. Is the cost of production you have given the average both for the nails and wire?

A. Till now we have not worked out for nails separately. The cost we have calculated on wire only.

Q. You must have made some allowance for the nails surely, in order to arrive at what it was proper to debit for the wire?

A. We will do that. Unfortunately the nails do not fetch a high price; sometimes they fetch a lower price than wire. Germany has been consistently selling nails cheaper than the cost of wire.

Q. Nails have to be made from wire and so they must cost more. There is the additional process. I take it that you deduct the cost as far as you are able to ascertain on account of the nail-making machines, etc., from your general cost of wire.

A. Till now we have not separated the one thing from the other. We have considered the question and we shall very shortly work out the cost separately.

Q. Take your wages for instance: the whole of the wages paid in the factory has been debited to wire?

A. Yes.

Q. So that the actual figures for wire ought to have been a little bit lower?

A. We have 12 machines (nail-making) and 12 skilled operators and an apprentice in charge. That is the whole establishment on the machine and there is nothing else.

Q. Still there must be something to be debited to nails?

A. As against that there are some items in favour of nails. We utilize the rejected wire in making nails. If a wire does not come up to its full length all these shorts go to the nail machines.

Mr. Mather. (*Matallurgical Inspector to the Government of India.*)—That if the explanation of the fact that nails are cheaper per ton than wire is, wire is to come up to a certain standard quality and nails need not. If there is scrap it is put into nail machines.

Mr. Walchand.—No other country except Germany has done this. Germany is the only country that charges equally for both, sometimes less for nails.

Mr. Mather.—They have got perhaps an efficient organization for using their defective wire for nails.

President.—You think there are compensating circumstances counter-balancing the cost of production of nails.

ENCLOSURE VI.

Memorandum showing inadequacy of protection accorded to Wire Nail.

[As represented to the Tariff Board.]

1. *Measure of protection required.*

Tariff Board lays down:—

The need for protection is measured by the difference between the two prices:—

(1) the price at which the article is likely to be imported,

(2) the price at which the Indian manufacturer can sell at a reasonable profit.

2. *Separate cost of production of wire nails.*

To arrive at the latter of the two above prices it is necessary to determine the cost of productions of nails separately from that of wire.

The Tariff Board has not done this, because:—

(1) the cost is very small,

(2) the small cost is more than recovered by utilization of short length and waste wire for nails,

(3) Data for doing so are not available.

3. *Vital bearing of the cost though small.*

It is the accepted principle of the Board that "if protection is found necessary, * * * * then the measure taken must be adequate to serve the purpose."

Comparatively small as the cost appears it has therefore a vital bearing on the adequacy of the amount of protection to be accorded and as such cannot be left out of consideration.

4. *Utilization of waste wire.*

(*a*) Wire rejected for quality cannot be utilized for nails, which also have to come up to a standard of tensile strength, toughness and hardness.

Says one of the biggest wire and wire nail manufacturers of the United States of America, by far the biggest nail producing country in the world:—

> "Nail wire must be uniform quality, of even strength and toughness. The ductile quality of the wire should be such as to produce nails with heads that would not break in use."

The Government of India in the Stores Department asked for a certificate as to the tensile strength of our nails when offering to introduce them to likely consumers.

(*b*) As for short lengths of wire,

Firstly, they cost just as much in production as full length. Their utilization therefore does in no way eliminate the cost of production of nails, but only the prospective loss of the actual cost of production of the short lengths by a counterbalancing debit against the nails. Could they not be used for nails, the cost of raw materials required for the nails would have to be otherwise reckoned with.

Secondly, the quantity of such short lengths must, as a matter of fact, form an inconsiderable fraction of the entire output of nails in the factory.

Thirdly, wire is put up in coils of 11 lbs. and we found by experience that very short lengths are put up in heavier coils to make up the weight. So that scrap, too short only, would remain to go to the nail machines and their use involves additional manipulation of the nail machines resulting in an appreciable reduction of the assumed counterbalancing effects.

Fourthly, the counterbalancing effects would still further be reduced if any "efficient organization" be required for using the scrap to the fullest advantage.

The apparently small saving therefore can hardly eliminate the entire additional cost of conversion of wire into nails.

(*c*) Had utilization of waste wire been solely responsible for Germany's selling nails cheaper than wire, America and Belgium could very well have done the same, for it is hard indeed to conceive that they are incapable of a like efficient organization.

(*d*) If America and Belgium have hitherto failed to act up to the principle its aplication to Indian conditions can only be a vision of the distant future, while, says the Board:—

> "The immediate needs of the industry must determine the amount of protection to be accorded at the outset."

> "The immediate object of the scheme of protection is the preservation of the industry as it exists at present."

(*e*) The Tariff Board says:—

> "Whatever the reasons for abnormally low prices, the effect is the same. It is this effect which has to be dealt with."

The effect in the present case is the extreme narrowness of difference between the prices of wire and wire nail and what is imperatively required is a higher protection for nails in order to widen this narrow difference.

5. *Germany's ability to sell nails cheaper than wire.*

The explanation of the anomaly is far more logically to be found in one or more of the so many circumstances alluded to by the Tariff Board:—

> "Whether bounties in the country of origin, specially reduced freights, a depreciation in the exchange of a particular country, a rise in the value of the rupee as compared with other currencies, the sale at unremunerative prices or the low cost of production in the country of origin."

As for bounties, from the unimpeachable authority quoted below it would appear that a considerably higher bounty is accorded in Germany to wire nails exported than to wire:—

> "The rolled wire syndicate has increased its export bounties and these now amount to 11·50 marks ($2·74) per metric ton of raw material used in the case of iron wire and wire goods made from rolled wire and to 16·50 marks ($3·93) for material used for wire nails. The purchase price of raw material is also reduced 5 marks ($1·19) per metric ton."

[German Foreign Trade Organization by Chawneey Depew Enow, Assistant chief of the Bureau of Foreign and Domestic Commerce. Published by the Department of Commerce, Washington Government.]

It is this additional export bounty of 5 marks or $1·19 equivalent more than Rs. 3 at the present rate of exchange, which enables Germany to sell her nails cheaper than wire and not the utilization of the waste wire and it is only curious that the very fact arising out of a discrimination in bounty should be relied upon in doing away with a corresponding discrimination in the protective duty.

6. *Data for determining the cost of production of wire nails.*

The additional cost under the several heads may be reduced as follows from data accepted by the Tariff Board for wire:—

A. Works Cost.

1. Nett Metal Cost.

The Board says "One ton of finished wire requires owing to wastage in the process of manufacturing an additional quantity which will fairly be represented by an extra 10 per cent."

Just so, there is a further wastage of 10 per cent. of wire in the porcess of its conversion into nails, when a small part of each individual nail is bodily chipped off in forming the point.

Additional cost on this head, therefore, is 10 per cent. of Rs. 187 (nett metal cost of wire) or Rs. 18-8 per ton of finished nails.

2. Cost above Metal.

(i) Consumable Stores.

1. Packing cases.

A ton of nails requires 20 cases, for which we have been paying more than annas 8 each.

The Indian Steel Wire Products Company computes Rs. 9-9-3 per ton, almost the same as purs.

Assuming even half of this the additional cost is Rs. 5 per ton:—

2. Tool Steel.

The Wire Products Company give annas 12 per ton say Re. 1 in round figure.

3. Kerosene.

Annas 8 per ton—according to Wire Products Company.

(ii) Electricity.

The nail equipment of the Wire Products Company requires no less than 30 B. H. P. to drive the 12 nail machines.

Taking Molesworth formula 1 Unit=1·34 B. H. P. Hour, 30 B. H. P. would require 30×1·34=22 units per hour, or 22×48×4=4,224 units per month.

The Company receives current at the concession rate of 10 pies per unit, therefore, 4,224 units cost 4,224 × 10 pies = Rs. 220.

Distributing this over 140 tons, the maximum productive capacity of the 12 nail machines, the additional cost per ton comes to

220 ÷ 140 = 1 or Rs. 1-8.

(iii) Wages of labour, acid Supervision.

The Company have 12 attendants and 1 apprentice to supervise.

12 × Rs. 25 per month	. .	= Rs. 300
1 × Rs. 50 per month	. .	= Rs. 50
	TOTAL .	Rs. 350 for 140 tons

or Rs. 350 ÷ 140 = Rs. 2-8 per ton.

B. *Overhead charges.*—To avoid complexity we leave this out.

The total additional cost per ton thus comes to:—

A. Work Cost.

	Rs.	A.	P.
Nett Metal	18	8	0
Above Metal			
(i) Stores			
Packing case	5	0	0
Tool Steel	1	0	0
Kerosene	0	8	0
(ii) Electricity	1	8	0
(iii) Wages	2	8	0
B. *Overhead charges*—not considered.			
TOTAL .	29	0	0 per ton.

It would thus appear quite safe to hold that the protection accorded to wire nails is inadequate to the extent of at least Rs. 20 per ton.

6. *Compensatory protection.*

Wire is a "partly manufactured good" from which finished nails are made. The Tariff Board has fully recognised the principle of compensatory protection with regard to wire as follows:—

"Under the Board's proposal for the protection of bars and rods by a duty of Rs. 40 per ton * * * an additional compensatory protection of Rs. 25 per ton would * * * * have been necessary."

With a protective duty of Rs. 60 per ton on wire it follows evidently that an additional compensatory protection of more than Rs. 25 per ton is legitimately required.

ENCLOSURE VIII.

MEMORANDUM ON THE POSSIBILITY OF MANUFACTURE OF WIRE NAILS ON A SMALL SCALE.

1. *Small industry* versus *Large factory*.

The Indian Fiscal Commission, while discussing the various advantages to be derived by the development of Indian industries, to stimulate which they recommended Protection, has not failed to warn at the same time against a serious real danger that would inevitably follow in the wake of intense industrialization after the Western model, in the following unambiguous terms.

"Industrialization will, however, bring new and real problems, arising from the aggregation of population in large town." The other industrial nations have realized, through bitter experience, the disadvantages which arise from such conditions, and there is a movement now to try to remedy them. It might be possible for India, coming late into the field, to profit by this experience."

As an effective guard against this real danger they have suggested that:—

> "We think that any factors which might minimise excessive aggregation of population in a few areas deserve encouragement. * * * * And we prefer to see, so far it is economically possible, industrial establishments springing up in towns of moderate size all over the country. * * * * We think it most important that development of industries at suitable smaller centres should not be hampered."

The second argument in favour of small industries adducted by the Fiscal Commission is:—

> "It is worth remembering that the natural feelings and habits of the people will favour such a tendency."

The third argument in favour of small industries is based on the recognised shyness of Indian capital.

Captain E. V. Sassoon, one of the leading Bombay industrialists, has stated before the Fiscal Commission:—

> "Indian capital is shy of anything new in the way of industrial enterprise."

The Commission itself says:—

> "* * the practice of hoarding * * * * * * and that of investing savings in ornaments * * may yield but slowly."

In the opinion of the Tariff Board, too:—

> "* * * * the progress of industrial development in India will be slow until Indian capital is forthcoming in much more abundant measure than it has been in the past."

All three have suggested a policy of protection as the only remedy and within the protective wall, smaller industries involving smaller initial investments would seem more suitable than larger industries necessitating bigger investments.

2. *Manufacture of wire nail as a small industry.*

Manufacture of wire nails, when separated from the process of wire drawing, may very well be carried on as a small industry, because the Tariff Board says:—

(*i*) "The manufacture of nail is separated from wire drawing by the intervention mainly of automatic machines.

(*ii*) "The mechanical equipment of the industry is mainly automatic, mastery over which can fairly easily and without unduly prolonged training be acquired by intelligent Indian labour, * * * the problem of training Indian labour enters less largely than the most other industries * * * . The power required is relatively small, home market is considerable * * * * raw material is on the spot. Under these circumstances, this industry is suited to Indian conditions and the chances of its success are considerable."

(*iii*) Of the actual paid up capital of Rs. 21-6 lakhs of The Indian Steel Wire Products Ltd., the nail equipment has cost only one lakh, though capable of producing 3,000 tons of nails per year.

3. *Utility of such small wire nail industries.*

At present, there is only one Company in India (very lately brought into being engaged in manufacture of wire nails.

The Tariff Board says:—

> "The object (of the scheme of protection) will not be attained if any industry continues to be the monopoly of a single firm and if India within a reasonable period be not able to provide the whole of her domestic requirements. It is this result that would finally justify protection."

Board's estimate of annual Indian consumption of wire nails as compared with its Indian production for the next three years is as follows:—

Year.	Estimated annual Indian consumption.	Estimated annual Home production.
	Tons.	Tons.
1924-25	12,000	1,000
1925-26	10,000	2,000
1926-27	11,000	3,000

It will thus be seen there is ample scope for small wire nail establishments at suitable centres all over the country in keeping with the recommendations both of the Fiscal Commission and the Tariff Board.

4. *Objection against such establishments.*

The only objection against separate wire nail industry on a small scale is on the ground of economy of production, which may be considered under two different aspects.

(1) It costs more to purchase ready-made wire than to have it drawn in the factory.

But the objection applies equally well to the purchase of "ready-made wire-rod for the purpose of drawing it into wire and manufacturing from it other products as in the case of the Indian Steel Wire Products, Ld."

The fact is as the Tariff Board says:—

> "Where the industry has been established on an organised and extensive scale * * * * * the manufacture of wire is carried on in conjunction with the rolling of wire rods, which, in their turn, are rolled from billets as part of the process of manufacturing steel. In this sense, wire drawing may be described as a continuation of the process relating to the manufacture of the cruder forms of steel."

So that, the sacrifice involved is the same, either wire-rod or wire has to be purchased, and is worth undergoing until "Indian capital is forthcoming in much more abundant measure" and India has acquired the necessary capacities for vast industrial organisations.

(2) "Production must be large enough to produce at least a minimum quantity of economic results, *i.e.*, the industry must have such a productivity as contributes to a reasonable reduction of the works cost, or of the overhead charges per ton of production."

In support of this contention, the Tariff Board has cited a concrete instance with regard to the Indian Steel Wire Products, Ld:—

"even by the moderate increase in production from 87 tons in May to 120 tons in August, the work cost above nett metal dropped from about Rs. 82-13-0 to Rs. 76-4-0 per ton * * the works costs, when the production rises to 750 tons per month, are expected to drop to about Rs. 65-8-0 per ton. The difference between the overhead charges spread over 87 tons and 750 tons per month will appear enormous."

As against this, we might state without hesitation from our experience that the result of Rs. 109 per ton in above metal and overhead charges, accepted by the Board for a production of 250 tons per month, is not very difficult to achieve in small wire nail industry where the very big items under the heads (*i*) depreciation, (*ii*) interest on working capital, (*iii*) head office charges, (*iv*) miscellaneous charges are reduced by 60 per cent. if not more and the charges on account of labour, power and consumable stores are at the same time reduced in proportion to the amount of production.

Unlike the steel industry, " large units are " not " essential to cheap production " in this case, where " a policy of slow and imperceptible growth " is quite feasible.

5. *The only difficulty and its remedy.*

The only present difficulty in the way of success for such a separate wire nail industry is the very same as advanced by the Indian Steel Wire Products Ld., with regard to wire, *viz.*:—

" The difference between the prices of raw material and the finished product is so small as not to be enough to guarantee any profit."

The Tata Iron and Steel Company have solved the difficulty with regard to wire by entering into an agreement with the Indian Steel Wire Products Ld., to supply for 5 years wire rod at a price approximately equal to the price at which the latter is importing it at present. But for this agreement " an additional compensatory protection of Rs. 25 per ton would have been necessary " on wire according to the Tariff Board.

A similar compensatory protection is required for wire nails, in order to " keep the industry going till it can stand alone."

ENCLOSURE VIII.

NEGOTIATION FOR SPECIAL ARRANGEMENT WITH THE INDIAN STEEL WIRE LTD., FOR SUPPLY OF WIRE REQUIRED FOR MAKING WIRE NAILS.

THE INDIAN STEEL WIRE PRODUCTS, LTD.

Jamshedpur Works,
Jamshedpur, B. N. R.
4th January 1924.
Ref. No. 31/24.

Agents:—
LALUBHAI WALCHAND CAPADIA & CO.,
65, Apollo Street, Bombay.

To
THE PIONEER WIRE NAIL AND WOOD SCREWS MANUFACTURING CO.,
168, Maniktolla Street, Calcutta.

DEAR SIRS,

We have the pleasure to send herewith our prices for wire and wire nails, manufactured by us at Jamshedpur.

Yours faithfully,
The Indian Steel Wire Products, Ltd.
S. MODAK,
Secretary.

Enclosure.

THE INDIAN STEEL WIRE PRODUCTS, LTD.

JAMSHEDPUR.

Quotation.

		Rs.	A.	P.	
Hard Bright wire	7 to 11 Gauge	13	0	0	per Cwt.
,, ,, ,,	12 to 16 ,,	13	8	0	,, ,,
,, ,, ,,	17 ,,	15	0	0	,, ,,
,, ,, ,,	18 to 20 ,,	22	0	0	,, ,,
Wire Nails	1″, 1¼″, 1½″, 2″	13	8	0	,, ,,
,, ,,	2½″ & 3″	14	8	0	,, ,,

All the above rates are *ex*-Godown, Calcutta, and subject to market fluctuation:—

THE PIONEER WIRE NAIL MANUFACTURING CO.

168, Maniktolla Street.

Calcutta, 8th January 1924

To

The Secretary,
The Indian Steel Wire Products, Ltd.,
Jamshedpur, B. N. R.

Your Ref. No. 31/24.

DEAR SIRS,

As manufacturers of wire nails we feel specially interested in your nail wire, which we shall be pleased to obtain locally from you.

We are not a little mortified therefore to note with regard to the prices quoted therefor, firstly that they are higher even than what it costs us to import (including customs duty and other incidental charges) and secondly that they appear anomalous as compared with the prices quoted for finished wire nails.

As for the second we beg to observe, that in order to convert one cwt. of wire rates, so that we might be relieved of the ocean freight Insurance charges, Import duties and other contingent charges, all of which quite come up to Rs. 3 per cwt.

As for the second we beg to observe, that in order to convert one cwt. of wire into finished wire nails, it is necessary to consume some amount of power, to spend something for labour, to pay for accessory materials like saw-dust, lubricating oil, etc., and to incur other incidental charges in the way of house rent, taxes, etc. Then there is the loss in wastage in the operation of conversion into nails and finally, the cost of the packing case. All this can nowise be less than Rs. 3 per cwt. So that it is only reasonable that the price of your wire must be less than that of your nails by as much.

* *   * *   * *

Yours faithfully,

BANKU BIHARY BASAK,
Manager.

THE INDIAN STEEL WIRE PRODUCTS, LTD.

JAMSHEDPUR WORKS.

Jamshedpur, B. N. R.
11th January 1924.
Ref. No. 220/24.

MESSRS. THE PIONEER WIRE NAIL MANUFACTURING CO.,
168, Maniktolla Street, Calcutta.

DEAR SIRS,

* * * * in reply beg to refer you to our Calcutta Representatives, Messrs. Ganguli and Co., 62, Clive Street, who will be glad to discuss matters with you on the present market basis.

Yours faithfully,

The Indian Steel Wire Products, Ltd.

S. MODAK,
Secretary.

[As requested Quotation was obtained from Ganguly and Company followed by the following correspondence.]

THE PIONEER WIRE NAIL MANUFACTURING CO.
168, Maniktolla Street.

Calcutta 26th June 1924.

To

MESSRS. GANGULI & CO.,
62, Clive Street, Calcutta.

DEAR SIRS,

We require the wire for making nails so cannot offer more as it will hardly leave any margin.

* * * * we frequently require such wire which we have to import at present, could we arrive at a satisfactory arrangement it will be to our mutual benefit.

Yours faithfully,

BANKU BEHARY BASAK,
Manager.

GANGULI & CO.

Head Office—62, Clive Street.
Calcutta, the 26th June 1924.
Ref. No. 1776.

To

MESSRS. PIONEER WIRE NAIL MANUFACTURING CO.,

168, Maniktolla Street, Calcutta.

DEAR SIRS,

In consideration of the fact that you are likely to be regular customers for H. B. Wire we are agreeable to reduce our price to * * we may add for your information that this price hardly leaves any margin of profit for our manufacturers.

We hope you are aware that after the imposition of additional duty in M. S. wire it is no longer possible to import wire at cheaper rate than offered by us.

Yours faithfully,

GAUGULI & CO.

A. N. GANGULI,

Manager.

[After this our Manager, Banku Bihary Basak saw Mr. Ganguli and discussed matters with regard to some concession like those offered by Tata to his Principals but Mr. Ganguli persisted in his view that wire can not be imported cheaper than quoted by him.]

ENCLOSURE IX.

Representation to Tariff Board asking for intervention on the subject of concessions from the Indian Steel Wire Products, Ltd.

THE PIONEER WIRE NAIL MANUFACTURING CO.

Ref. No. 151.

168, Manicktolla Street,
Calcutta, 20th October 1924.

To

The Secretary,
The Tariff Board.

SIR,

* * * * * *

I respectfully submit that in consideration of the fact that no compensatory duty has been levied on wire nail, I am entitled to concessions from the Indian

Steel Wire Products, Limited, similar to those granted to them by the Tata Company and I pray your Board will be pleased to recommend such concessions in lieu of the compensatory duty for which I shall ever feel very thankful.

Yours faithfully,

RAMCHANDRA BASAK,
Proprietor.

ANNEXURE No. II.

Representation from The Pioneer Wire Nail Manufacturing Co., Calcutta, dated the 10th March 1925, to the Director of Industries, Bengal, Calcutta.

In acknowledging the receipt of your letter No. 1387-D. I., dated the 5th March 1925, I beg to express my sincere thanks for your sympathy and appreciation, which I am confident will stand me in good stead when the proposal is under the consideration of the Advisory Board whose decision I would anxiously await.

In the meantime, I beg leave to add yet another fact to justify my prayer, which has made its appearance since I addressed you last.

One of the " general principles which guided " the Tariff Board in their deliberations is " that protective measures must be adequate to serve their purposes." " We desire to lay great stress " adds the Board, " on this point."

They thought it necessary therefore " that Government should have power to make the protection given effective " and recommended accordingly that " If the Governor General in Council is satisfied, after such an enquiry as he considers necessary, that steel is entering India from abroad at such prices as are likely to render the protection given by this Act ineffective, he may impose such additional duties as in his judgment are required."

These recommendations were embodied in section 2 (*1*) of the Steel Protection Act.

In terms of this express provision in the Act the Government of India directed the Tariff Board to determine whether certain circumstances alleged to have happened justify the exercise of the power given and the Board submitted its Report in November last.

In this Report they say with regard to wire nails:—

" Under the present tariff, wire and wire nails are subject to a specific duty of Rs. 60 a ton. The amount was based on the difference between Rs. 260, the estimated landed cost per ton of imported wire (or wire nails) without duty, and Rs. 320, the estimated fair selling price of wire manufactured in India. Owing to the rise in the rupee sterling exchange the landed cost of imported wire without duty drops from Rs. 260 to Rs. 231 a ton. The additional duty required on both wire and wire nails is therefore Rs. 29 a ton or for the sake of rounding Rs. 30, *i.e.*, Re. 1-8-0 a cwt. * * * * Wire nails, however, are also produced by the Pioneer Wire Nail Manufacturing Company of Calcutta from imported wire and we recommend that the duty on wire nails should be increased from Rs. 60 to Rs. 90 a ton."

For reasons I need not go into, the situation brought about as reported by the Tariff Board has been met not by any comprehensive action under the Act, but by the adoption of a resolution in the Legislative Assembly granting bounties " only to firms and companies manufacturing steel ingots of certain kinds."

Under the provision in the Act, any article subject to protective duty is eligible to the benefit conferred by section 2 (*1*) thereof if only it fulfils the specific conditions laid down therein.

The statutory enquiry held has definitely shown that the contingency provided for has actually arisen with regard to wire nail and I submit my claim to additional protection is irresistible.

I pray, therefore, that this fact also may kindly be taken into favourable consideration by the Advisory Board when disposing of my prayers for remission of duty.

Statement III.—Letter dated 21st July 1925, from the Pioneer Wire Nail Manufacturing Company, Calcutta.

Your letter No. 363, dated 14th July 1925.

All the objections stated converge to the centre "that the inferior and waste wire, which could only be sold at a loss, can be used up in making nails, so that it is not unnatural that their price should be no higher than the price of the wire out of which they are made."

The hypothesis is based on the testimony of Mr. Walchand.

Facts actually obtaining in the several nail producing countries in the world, where the industry has been growing on for a long time past, testify to the contrary, with the sole exception of Germany to be explained by an exceptional circumstance.

Of all such countries, none but Germany can sell nails *at the same price* as wire, said the same Mr. Walchand in his evidence.

It naturally follows at once that *as a rule* the price of nails must be *higher* than that of wire and that Germany is the *only exception.*

This exception finds a ready and satisfactory explanation in the exceptional *circumstance* of a considerably higher bounty granted there to wire nails exported than to wire.

My unimpeachable authority for this is:—

"The rolled wire Syndicate has increased its export bounties and these now amount to *11·50 marks* ($2·74) per metric ton of raw material used in the case of iron *wire* and wire goods made from rolled wire and to 16·50 marks ($3·93) for material used for *wire nails.* The purchase price of raw material is also reduced 5 marks ($1·19) per metric ton."

["German Foreign Trade Organization" by Chauncey Depew Snow, Assistant Chief of the Bureaux of Foreign and Domestic Commerce. Published by the Department of Commerce, Washington Government.]

Mr. Walchand's alternative explanation of the facts appear hopelessly distorted in contrast to this natural matter-of-fact explanation. He seems to know not of the export bounty in Germany to wire nails, and in his view Germany is the rule, while all the others, including the largest producer (U. S. A.) and the most specialised (Belgium) are all so many exceptions to be explained by the fact that they are all incapable of a mysteriously efficient "organization to use waste wire for making nails" of which Germany alone is the blessed custodian.

Your Board is called upon to decide between the two conflicting views. The one offers a *hypothesis* (that of utilisation of waste wire for nails) which suits one only (Germany) of the several particular instances (the nail producing countries) to be explained, and all the rest have got to be explained by still another hypothesis (that of efficient organization) which not only has no foundation in undoubted facts but is extremely unlikely on the face of it. The other provides a *general rule* obtaining in all cases of the kind (finished product higher in price than its raw material) which accords well with all the instances to be explained with the solitary exception of Germany which again is explained by a peculiar circumstance, for the existence and efficacy of which there is not the least room for doubt. It is easy enough to see which of the two is worthier of your Board's acceptance.

The part of Mr. Walchand's evidence relating to his own factory, is not authenticated by definite figures comparing the cost of conversion of wire into nails and the gain on account of the use of "rejected" wire.

As the issue resting thereon is so vital to the wire nail industry, the extent of the counterbalancing effect has to be *precisely* ascertained.

To this end, the first thing to find is the ratio between the nails derived from rejected wire and the total output, which alone can show the extent to which wire nails attain to the dignity of a by-product.

During early days of his working, the quantity of 'rejected' wire must have been a good deal more than it should be. So Mr. Walchand was sanguine enough of their utility at the time he spoke.

By the word "rejected" he explained himself to mean "a wire that does not come up to its *full* length."

Apparently he had the misconception that a cwt. coil must be one single piece. This caused him to make much of his "rejected" wire.

It is the rule, as we have found with imported wire, to put up 2, 3 or 4 pieces in the same coil. *Single piece in a cwt. coil* is a rare thing. Mr. Walchand is now doing same. Coils of ½ cwt. are also as saleable as 1 cwt. ones. To sell in cut lengths appears from advertisements of British wire Mills to be not infrequent.

Major part of the shorts have not therefore to be sold at a loss, but they sell *fully at par.*

Mere scrap, too short, only need go to the nail machines and their use *frustrates the very purpose* they are intended to serve in the *sacrifice of economy* in consequence of too frequent stoppage and adjustment the nail machines require—so much so that it is a matter for consideration whether they could not be *as well* disposed of as scrap, especially in view of *loss in* weight of 10 per cent. in their conversion.

The word "inferior" in the sense of inferior in *quality* is an innovation as Mr. Walchand did not speak of such. In fact, such wire is inadmissible for the purpose.

Wire inferior for *tensile strength* cannot be used, since nails have to come up to a standard in this respect. As your Board's technical adviser has expressed himself to the contrary we might add here that the Controller of Stores, Government of India, wanted to have the tensile strength of our nails tested at Alipur.

As for wire inferior for *uneven section*, the very nature of the nail machines do not admit of their use. The point cutters and the grip dies, with such a piece of wire, get gradually more and more too light for the ever increasing girth of the wire and not only stop the machine but inflict a serious injury on account of the unusual strain.

It thus appears that scrap too short would only remain for use for making into nails *at the sacrifice of economy.*

Even so, the *quantity* available, is only *inconsiderable* in comparison with entire output of nails. If it were considerable, that would constitute a grave natural disadvantage for the wire industry itself.

Finally, there is the all-important consideration, that the *small gain* is literally more than counterbalanced, in its turn, by the "necessary evil of a costly head office," disproportionate miscellaneous charges covering insurance postage, labour welfare, etc., which have no counterpart in small factories like ours or that of the Punjab factory.

So then, the facts obtaining in other countries do not bear out Mr. Walchand. His own practice can account for only an insignificant portion of the entire output of his nails and is attended besides with a serious drawback as it involves some sacrifice of economy.

The primary objection of your Board cannot therefore be maintained in all fairness.

The next important objection for consideration is the question of the—

(1) *Cost of converting wire into nails.*—The cost of the Punjab Company is Rs. 40 per ton.

Mine through oversight has been taken at Rs. 35 and I need have no objection.

What is Mr. Walchand's separately for nails?

He had not worked out, he said in his evidence. Let us do so for him from the *data he has supplied* to your Board. This has been done in enclosure VII to my letter of 20th October 1924 referred to by you. The estimate made would bear the strictest scrutiny of Mr. Walchand himself and your Board as well. The total arrived at is the *same Rs. 35 per ton and this* after making due allowance for the counterbalancing effects of the use of rejected wire, in so far as the part to be debited to nails out of the total overhead charges of Rs. 44, has not been taken into consideration in the estimate. This amounts to Rs. 4 per ton on the basis of 2 lakhs out of the total of 21·6 lakhs of capital to belong to the nail equipment exclusively. Rs. 4 per ton on the entire output of nails is no mean consideration for the inconsiderable quantity of nails shown to be derived from rejected wire.

It may seem improbable, but is due to the fact that the allowance for use of "rejected" wire is covered by the necessary head office expenses and high miscellaneous charges, and that the nett metal cost varies directly as the output and thirdly, that the works costs above nett metal do not vary with the output at the same rate as overhead charges.

If then there is this substantial agreement between the cost of a firm manufacturing both and those manufacturing only wire nails, the (2) *Natural disadvantage* ascribed to the latter does not exist and provided it is granted adequate protection, it is as sure that (3) *The industry could face world competition unaided* as the wire industry could, and the (4) *Third condition of the Fiscal Commission* is fully satisfied.

The way is now clear for the consideration of the (5) *question whether the manufacture of wire nails from imported wire deserves protection.*

When your Board recommended protection to the wire industry, wire was manufactured from imported wire rod, so the manufacture of nails separately from imported wire cannot on that account be deemed ineligible for protection.

Then again, if manufacture of wire from imported wire rods is an integral part of the Indian steel industry, that of nails from imported wire can be no less so, the position being precisely the same in either case.

Further, if the prospect of availability of locally manufactured wire rod in the near future is to be regarded as manufacturing wire from Indian steel, the actual availability of locally manufactured wire would entitle the wire nail industry to be regarded much more so.

The narrowness of (6) *Difference between the price of imported wire and wire nails* cannot also constitute any difference as the same kind of insufficient difference between wire and wire rod was brought to the notice of the Fiscal Commission.

The reason in either case is the same, *viz.*, (7) *Manufacture of the raw material and finished product in the same factory.*

In the case of wire the difficulty has been solved by the grant of compensatory protection by the Tata's on behalf of the country; in the case of wire nails, the country will have to do as for the (8) *Benefit to be derived by the country* as a set-off against the cost to the consumer, my submission is, if your Board will hold on to the theory of by-product, there is an end of the whole matter.

If not, the proposition of your Board that "if the nails are made from Indian wire, that can best be done by the firms who make wire," loses its force altogether. Provided adequate protection is given to the wire nail industry, the manufacturer of wire and wire nails both, will not be in a position to sell his wire at the same price as his nails and it would then be (9) *Profitable to manufacture nails from wire manufactured locally.*

Such wire nail factories would feed the wire industry and would be of benefit to the country, just as much, as the wire industry would benefit the country by use of wire rods manufactured locally.

Wire and wire nails form but the successive links in the same chain and their position can hardly be substantially different from each other.

Further, the intrinsic importance of wire nails is also a consideration in this respect more than the simplicity of the mechanical operations involved. "Economic importance of the now universally required wire nails," said the Indian Wire Products Limited, before the Fiscal Commission, "are apparent. For *national security* they will do their bit." Considering the consumption, nails are of more importance than wire.

Lastly there are recommendations of the Fiscal Commission for such small industries at different centres. They will open up an avenue to small capitalists which in itself is a gain to the country not wholly unworthy of its sacrifice.

My answer to the several objections may be summarised as follows:—

I have tried first to undermine the "by-product theory" which is the fundamental objection. If the points urged do not commend themselves to your Board there is an end of the matter. If they do, my answer to the other objections are:—

Objection.	Answer.
(*i*) The manufacture of wire nails from purchased wire cannot be profitable, because it is cheaper to make wire and nails in the same factory.	The objection applies equally well to the purchase of "ready made wire rod for the purpose of drawing into wire as in the case of the Indian Steel Wire Products Limited," barring the by-product theory. The sacrifice involved is the same, either wire rod or wire has to be purchased and the manufacture separately of wire and nail can be equally profitable provided wire nail is protected as adequately as wire has been.
(*ii*) If the protection is given to the manufacture of nails from purchased wire, it can never be removed, and one of the conditions laid down by the Fiscal Commission is not satisfied.	If the by-product theory has no basis in fact, there is no peculiar disadvantage attending the wire nail industry and the position, otherwise being exactly the same of the two industries the wire nail industry satisfies the third condition to the very save extent as the wire industry.
(*iii*) Protection to the manufacture of nails out of purchased wire does nothing to promote the development of India's natural resources, and there is no compensating gain to set-off against the sacrifices made by the consumer.	If protection to manufacture of wire from purchased wire rod has been held to promote the development of India's natural resources there is no valid reason why the manufacture of wire nails from purchased wire cannot. The gain is the same in either case. The additional gain to the country in the case of wire nails, is first that it would feed the wire industry and that the protection given to it will very soon result in the establishment of small wire nail industries on account of the smallness of capital required.

I may appear before your Board if so required.

Statement IV.—Further statement, dated the 24th July 1925, from the Pioneer Nail Manufacturing Company.

In continuation of my letter No. 91, dated the 21st July 1925, I beg leave to place the following further points before your Board:—

1. I quote an additional authority for my statement with regard to higher export bounty to nails in Germany than to wire.

Mr. Henri Hauser, in his famous book on "Germany's Commercial grip over the World," says with regard to export bounties:—

> "Hence there came into existence, (1) the idea of special export prices and (2) parallel with the hierarchy of industries and Cartels a whole hierarchy of premiums and reductions proportionate to the degree of finish in the products exported.
>
> In 1912 for each ton consumed for exportation one sees the Westphalian Coal Syndicate to pay to its clients a bonus of 2½ marks, that of pig iron 6¼ marks, that of machine iron 11¼ marks for wire and 16¼ marks for nails."

So that the higher export bounty to wire nails has been in existence since 1912, and it is this that enabled Germany to sell her nails cheaper than wire consistently since then.

The more important point to note is that the degree of finish of nails has been considered even in Germany to be higher than that of wire, in the hierarchy of industries, necessitating a higher bounty for nails than for wire.

The fact cannot be gainsaid, that the system of combination of the two industries (wire and wire nail), such as is contemplated by your Board, has been carried to the fullest possible extent in Germany. An exceptionally efficient organization for using the rejected wire has also been presumed, in her favour, and yet there lies the fact, that for the purposes of bounties, nails have to be regarded as of a degree higher, in finish than wire, that is in other words, the relation of finished product and the raw material between them has to be recognised and acted up to. Had nails been a by-product, as assumed by your Board, and the cost of their production covered entirely by the compensating effects of the use of rejected wire, the bounty granted to them, most assuredly, has been identical as your Board recommended in January last year on such assumption.

The fact that but for such a higher bounty to nails, there can be no possibility of selling nails at the same price as wire, would appear from the following extract from the same authority:—

> "But the most typical instance is that of the Dutch and Belgian Nail Industry. It is a true offspring of German dumping. Wire at 125 Marks the ton in Germany and only 98 Marks in Holland with cheaper labour left a final disparity of 30 per cent. which enabled Dutch nails to penetrate into the region of Dusseldorf, which had before this supplied Holland. Victim of the dumping of wire carted the cartels of Nails had to dump in its turn in order to defend itself—had to sell at 14 Marks a quintal abroad against 25 Marks at home."

The additional factor explaining Germany's ability to export nails cheaper than cost is the special export price, she sells at a loss abroad to regain the loss at home where her Cartels have the perfect control of prices.

So then, the by-product hypothesis founded on Germany's anomalous practice, is wholly unconfirmed, and the principle of higher protection for nails than for wire has to be accepted even if both of them are manufactured in the same factory, as in Germany.

The wire nail industry in Belgium which is the next best source of supply for India, sprang up, it would also appear from the same quotation as a

separate industry working with the cheaper wire from Germany and it is this dumping of wire by Germany that has been enabling her to compete with Germany in India.

2. Secondly, I would draw the kind attention of your Board to the practice of welding "Shorts," which would seem altogether to eliminate the necessity for any "Shorts" being used for making into nails.

I quote from the "Hardware Trade Journal" of January 25th, 1925, which is a special wire issue.

RESISTANCE WELDING.

Its development as applied to the manufacture of Wire.

Of the many applications to which resistance welding can be put no field offers such unlimited scope as the wire industry.

There is available for the wire trade a machine which will weld efficiently steel and iron wire.

No preparatory work is needed; no deposits or fluxes are used.

By placing two pieces of metal, say ¼″ diameter wire, end to end in these jaws and depressing a small lever provided on the machine the wires become molten in a remarkably short period, the whole operation having taken only 15 seconds.

But welding does not necessitate scarfing or sheathing a straight joint is assured, and when the weld is cleaned it is impossible to trace any joint whatever. The tensile and tortion strength has proved a 50 to 80 per cent. greater efficiency than any other method. Rod has been welded by this process and subsequently drawn down considerably with perfect results.

In foreign countries it is used extensively.

3. In the third place, I have to say something about the existence of separate wire nail industries in the United Kingdom.

I am not in a position to demonstrate directly that such separate wire nail factories are in existence in the United Kingdom at the present moment. But I may be permitted to cite certain facts which would seem to go a great way to indicate the extreme probability for same.

I quote again from the same Journal:—

> "The ramifications of the wire working trades are phenomal.
>
> "A number of firms in the Midlands specialise in the manufacture of a definite class of wire goods and the tendency is for that number to increase. The large Users of wire are the manufacturers of rivet Nails and screws."

The term "Users of wire" would seem to point to manufacturers of nails who "use" wire but do not manufacture it for their own purposes.

A glance at the advertisements of the wire mills in the same issue (a few cuttings enclosed) shew that of the several varieties of wire enumerated they give prominence to nail wire. Had there been no market for same this would have no meaning, and would hardly be worth doing.

4. Lastly to point out that the objection on the ground of entirely mechanical nature of the industry would apply equally well to the Rivet, Pin, and Wood Screws, not so unimportant in themselves.

Statement V.—Letter dated the 14th September 1925, from the Pioneer Wire Nail Manufacturing Company, Calcutta.

Your letter No. 502 of 9th instant.

A statement of my costs herewith enclosed. The depression in trade immediately following my start necessarily led to the reduction by half of my original scale of operations. The present output of the factory with one shift is therefore only 100 tons per annum.

The analysis of cost given relates to a period of two months when the production was the highest, *viz.*, 9½ tons during the period.

The following remarks will explain the statement:—

(1) *Wastage in operation.*—As your Board had allowed 10 per cent. in the operation of drawing wire, I have hitherto asked for as much in the conversion of wire into nails, when a small part is chipped off from every individual nail. As a matter of fact it is rather too much. It will appear from the statement published in June 1922 issue of the American Trade Journal "The Export" (a copy of which is also enclosed herewith) that the total loss from *wire rod* to *nail* is only 7·25 per cent. of course, under ideal conditions. I have counted 5 per cent. on cost price of wire used.

(2) *Wages.*—Comprise a mechanic on Rs. 40 and an unskilled labourer on Rs. 16. The former dresses the Point Cutters and adjusts the nail machines as required.

(3) *Rent and Taxes.*—The plot of land measuring 1 bigha is held on lease for 15 years at Rs. 10-2 per month. The factory shed, 40×45 feet, with brick walls all round is assessed by the local municipality at Rs. 7-3-6 per quarter.

(4) *Lubricating oil.*—Required for oil engine and other machinery.

(5) *Kerosine oil.*—For blow lamp to start the oil engine and small quantity to polish the nails.

(6) *Coke.*—For heat treatment of Point Cutters and the Grip Dies.

(7) *Bran.*—For barrelling the nails. Substitute for saw-dust because available at hand, cheaper and equally good for the purpose. A bagful at annas 2 and 3 pies cleans 4 cwts.

(8) *Tool Steel.*—For making Point Cutters.

(9) *Packing Cases.*—190 cases at annas 10 each.

(10) *Contingencies.*—Includes occasional tram fare, postage, etc.

(11) *Depreciation on plant and machinery.*—Enclosure I (statement of capital outlay) to my representation to the Director of Industries will show the amount spent on machinery and small tools to be Rs. 11,373-6-9. Deducting therefrom Rs. 1,670 on account of the three electric motors not now in use, the outlay on this head comes to Rs. 9,703-6-9. Depreciation has been calculated on this amount at 7½ per cent. per annum.

(12) *Depreciation on building.*—Calculated at 2½ per cent. on Rs. 1,880 actually spent in the construction of the factory as shown in the statement of capital outlay referred to above.

(13) *Interest on working capital.*—At 7½ per cent. on Rs. 1,500.

The cost as derived in the statement would however have to be reduced to the extent and for the reason stated below.

The factory accommodation and the motive power provided is amply sufficient, in accordance with my initial projects, to take care of as many more nail machines as I have at present.

This fact, it would be apparent, has unnecessarily enhanced my block capital by Rs. 800 on account of machinery (oil engine) and Rs. 940 on account

of building, or Rs. 1,740 in both. The corresponding increase to no purpose of the overhead charges per ton is Rs. 1-6-10.

Further, fully 33 per cent. of fuel oil is being consumed to no purpose. This is responsible for an increase of annas eight per ton.

So reducing the cost by Rs. 1-6-10+0-8-0=Rs. 1-14-10 or Rs. 2 in round figure the true cost per ton comes to Rs. 57 per ton. Now for an indication as to the probable reduction in the cost when the full capacity is attained.

For this purpose the various items in the analysis of costs may very well be divided into two classes as under—

Variable.	Constant.
1. Wastage in operation.	1. Wages.
2. Coke.	2. Rent and taxes.
3. Bran.	3. Fuel oil.
4. Tool Steel.	4. Lubricating oil.
5. Packing cases.	5. Kerosine oil.
	6. Contingencies.
	7. Overhead charges.

Varying the variable items as required, the costs come to be—

Works Costs—	Cost of production. Period 2 months. Output during the period—16 tons. Rs. A. P.	Rs. A. P
1. Metal Cost—		
Wastage in operation	176 0 0	
2. Above metal—		
1. Wages	112 0 0	
2. Rent and Taxes	25 2 0	
3. Stores—		
1. Fuel oil	19 5 4*	
2. Lubricating oil	5 0 0	
3. Kerosine oil	3 14 6	
4. Coke	4 0 0	
5. Bran	15 0 0	
6. Tool steel	6 0 0	
7. Packing cases	200 0 0	
4. Contingencies	3 0 0	
		569 5 10
Overhead charges—		
Depreciation—		
1. On plant and machinery .	111 4 0*	
2. On buildings	4 9 0*	
		115 13 0
	Total .	685 2 10

Incidence per ton—		
Works costs	35 9 6	Reduced by 18 per cent.
Overhead charges	7 3 6	,, 56 ,, ,,
Total .	42 13 0	,, 24·5 ,, ,,

* (Reduced in the light of remarks about extra provision of power and accommodation.)

The further step to 3 shifts a day reduces the overhead charges per ton by ⅔rds to Rs. 2-6-6 and the total to Rs. 38 instead of Rs. 43 with single shift, the reduction being 11·6 per cent.

Protection to the extent of Rs. 40 per ton above, wire would then leave only a profit of Rs. 2 per ton or Rs. 48 per month which works out to 3·75 per cent. on a capital investment of Rs. 10,000 only.

I regret I am not in a position to furnish the information asked for in paragraph 3 of your letter in such details.

I paid for wire from Germany in September 1924 and February 1925 at £11-1 c.i.f. net and £13-0 c.i.f. less a commission of 3 per cent. for cash. In April 1925 I paid Rs. 12 per cwt. to the Calcutta representatives of the Indian Steel Wire Products Limited.

Quotation for Continental wire nails in June last was £12-10 c.i.f. basis up to 7 B. W. G.

The selling price of wire nails in Calcutta was Rs. 11 per cwt. in January, rose to Rs. 13 for a very short time in March but returned to Rs. 11 in April. It has since risen to Rs. 12-8-0 at present.

P.S.—I will be glad to present myself before your Board on the 16th Wednesday at 11 A.M. for oral evidence.

Enclosure I.

Cost of Production.

Period covered—August-September 1924.

Output during the period—9½ tons.

A. Works costs—

	Rs.	A.	P.	Rs.	A.	P.
1. Metal cost—						
Wastage				104	8	0
2. Above metal—						
1. Wages				112	0	0
2. Rent and Taxes				25	2	0
3. Stores (consumable)				169	2	6
1. Fuel oil	29	0	0			
2. Lubricating oil	5	0	0			
3. Kerosine oil	3	14	6			
4. Coke	2	12	0			
5. Bran	6	12	0			
6. Tool steel	3	0	0			
7. Packing cases	118	12	0			
	169	2	6			
4. Contingencies				3	1	0
				413	13	6

	Rs.	A.	P.
B. Overhead charges—			
1. Depreciation—			
1. On plant and machinery	121	4	0
2. On building	8	5	4
2. Interest on working capital	18	12	0
	148	5	4
TOTAL .	562	2	10

Incidence per ton.

	Rs.	A.	P.
A. Works costs	43	9	0
B. Overhead charges	15	9	8
TOTAL .	59	2	8

Enclosure II.

SUCCESSIVE STEPS IN THE MANUFACTURE OF THE STEEL PRODUCTS WITH NET WEIGHTS OF PRODUCTS.

Reproduced from "The Export," June 1922.

A load of 2,000 lbs. iron ore, 600 lbs. limestone and 1,000 lbs. coke melted in the blast furnace will produce 1,120 lbs. of pig iron.	1,120 lbs. of pig iron converted into steel in the Bessemer Furnace, Open Hearth Furnace or Electric Furnace will produce 1,000 lbs. of ingots which will produce in turn	910 lbs. Blooms	Beams, Angles, Channels, Tees, Splice Bars	840 lbs.	Fabricated Structures.	
			Rails	870 lbs.		
		890 lbs. Billets	Bars	850 lbs.	Horse-shoes, Bolts, Nuts, Rivets, Spikes.	
			Bands	850 lbs.		
			Hoops	820 lbs.		
			Cotton Ties	815 lbs.		
			Small shapes	820 lbs.		
			WIRE ROD	825 lbs.	Galv. wire, Springs, Rope, Barbed wire, Wire Fence	795 lbs.
					NAILS	765 lbs.
		880 lbs. Sheet Bars.	Black sheets	651 lbs.	Corrugated sheets, Tin plate, Term plate, Galv. sheets	643 lbs.
		910 lbs. Slabs	Universal plate	725 lbs.	Tanks, Bridges, Structures.	
			Sheared plate	725 lbs.		
			Skeep	880 lbs.	Pipe and Tubing.	

Statement VI.—Letter, dated 1st October 1925, from the Pioneer Wire Nail Manufacturing Company.

Your letter No. 521, dated 17th September 1925.

I find I omitted to speak of certain points which were not either ready prepared or did not occur at the time.

I submit therefore a supplementary statement for favourable consideration.

1. *Manufacture of wire nails to be encouraged only so far as associated with wire.*—It has been my earnest endeavour to show from the first that but for the by-product theory, the protection already granted to wire nails is insufficient even if the manufacture thereof is associated with that of wire.

(*Vide* my letter, dated 13th May 1924, and enclosure VI to my representation, dated 28th January 1925 to the Director of Industries, Bengal.)

2. *The alternative explanation for equality in price of imported wire and wire nails.*

(*a*) *Continuation of German export bounty after the war.*

In the preface to the first edition of his book Mr. Hauser says his intention is "to describe a state of affairs existent at a determined moment—at the conclusion of the first year of war".

I quote from "Report on the industrial and economic condition of Germany" published by the Board of Trade in 1921.

"After war in Germany the effect of cartelization has been the formation of the four great Trusts of Coal, Potash, Textiles and Steel embracing practically all the industries of the country."

Later still, Mr. J. Morgen Rees, M.A., Lecturer in Economics and Political Science in the University College of Wales, in his book on "Trusts in British Industry, 1914—21," published in 1922, says:—

"A careful export policy was framed as a part of working of every cartel. It would sell abroad below the prices at home. It gave bounties for export. In 1870 there were only 5 Syndicates in Germany; in 1897 there were 345 covering the entire field of manufacture and commerce, while before the war cartels were considerably reduced in number but increased in power and the large cartels were rapidly becoming Trusts. Since the war this tendency has been accelerated so that Trusts are the rule not the exception."

Finally, the Board of Trade's Report on the Economic and Financial condition in Germany corrected up to April 1924 has:—

"*Trusts and Cartels.*—The movement towards combination already marked in Germany before the war and stimulated to a high degree by post-war difficulties has continued."

(*b*) *Does bounty suffice to explain the fad?*

If the nail manufacturer obtains a bounty of 16½ Marks for every ton of nail he exports, his cost of production from wire to wire nail is undoubtedly lessened to that very extent. This cost is not known to us but 16½ Marks, equivalent to, say, Rs. 15 is rather too low.

But there is the additional factor in inflated domestic price (*vide* my letter dated 14th July 1925), the extent of which may be gauged from the fact that the difference between the Home and the export prices amounted to 25-14-11 Marks per quintal or 220 Marks per ton. Taken together the two factors fully covered the cost, if it was anything like Rs. 40 per ton.

(c) Possible gain from a bounty not covering wholly the cost of production.

The bounty need not cover the whole cost when there is the other factor to the same end. The latter is the more potent for the obvious reason that the bounty had to be paid by the cartel or syndicate concerned while the domestic price would be inflated at the cost of the home consumers. Because the bounties were proportionate to the degree of finish it does not necessarily follow that the difference between the bounties to any two succeeding members of a series would cover the difference between their production costs. Nor was this necessary for the purpose in view as there was the other factor to make up the deficit.

(d) The instance of dumping of Dutch wire nails into Germany.

The instance was not a preconcerted performance. The system of trade combinations in Germany was a growth by successive stages. Coal was the first victim, then followed the heavier steel industries to be succeeded in turn by the lighter ones, till at last the hierarchy of caretls became complete and embraced all the various branches of the steel industry.

Wire nail industry came into being at a time when the wire industry had already attained to a degree of growth necessitating the introduction into it of special export price and in order to dispose of the surplus. The infant wire nail industry was yet unstainted and fell a victim to the policy just then inaugurated in the wire industry, and with a view to preserve itself adopted the policy itself.

(e) Super-dumping of nails.

As would appear from the fact that the difference between the domestic and the export prices in the case of wire was only 27 Marks per ton while in the case of nails it was as high as 220 Marks per ton.

It is this super-dumping that has made it necessary to bring the wire nails within the purview of Part II of the Safeguarding of industries Act in England.

3. *The policy is likely to continue and the industry can never therefore dispense with protection.*—The German export policy is a highly artificial one contrived solely for the purpose of eliminating natural competition in the free market. The false economic structure cannot endure for ever.

The germ of its destruction lie hidden within itself. For not only does it involve, on the one hand, too tremendous a sacrifice on the German people themselves who have to buy at home at a disproportionately high price, but also affect very seriously, on the other, the foreign people on whom it is played.

The German people were being studiously trained throughout the long period of the political consolidation of the German Empire to look upon the iniquitous policy as the only infallible means to the end of industrial supremacy of their Fatherland.

The German people of to-day is not what they were before the war. They have decided upon a Republic in preference to autocracy and are bent upon receiving all the benefits of a Republic. They are far more alive now to the evils of their familiar export policy and are not in a mood to tolerate them any longer.

They have had to be conciliated for the time being by a still another set of artificial condition created by the German Government with the help of subsidies and fixed prices, maintaining thereby a fixed level of internal prices. These conditions can remain operative only for a certain time and the export policy is sure to go with them.

Even such measures have not sufficed and the Government have been forced to legislation against the policy. The consequence has been—

> "They (Trusts and Cartels) have lost in popularity and power partly due to legislation against them and partly to the desire of the individual persons and Company to have greater freedom in time of difficulty."

(Board of Trade's Report corrected up to April 1924.)

Secondly, there is an external factor, more powerful than this internal one.

There is apparent in almost all the countries of the World an apprehension regarding German exports. Most countries have accordingly set themselves in a determined manner to reduce imports by every means in their power, and there is a growing tendency everywhere to produce for themselves goods which have hitherto constituted important selling lines for export houses in Germany.

More than this, the policy laid bare by the war, has brought down on the heads of the German exporters retaliation in the form of anti-dumping laws and high tariffs that would prohibit her export trade to an alarming extent.

But for the unprecedented depreciation of her currency the policy would long have gone by this time. The exchange factor however, is a legacy of war conditions and must have to go sooner or later and with it the familiar German export policy.

The reparation payments may bring about her last violent spasm but the supreme efforts of all the other countries combined against her leaves very little chance for her policy to survive.

It can hardly outlive the economic re-adjustment of the world. But exactly how long that will be it requires the vision of a prophet to foresee.

The importation of wire and wire nail at about the same price cannot therefore be the permanent feature of the trade, and if not, wire nail industry could dispense with protection when normal conditions are restored. The third condition of the Fiscal Commission is therefore fully satisfied.

4. *Cost distinctly less in association than in separation.*

My contention is that exactly so is the case of wire and evidence is wanted for my assertion.

Facts and figures are equally wanting in either case, but in both it is more than probable. There can hardly be any other explanation for the fact of the Board's own finding that "where the industry (wire) has been established on an organised and extensive scale the manufacture of wire is carried on in conjunction with the rolling of wire rods."

It is a general principle of modern industrialism that integration leads to reduction of cost and it would be inconsistent to apply it to one case in exclusion of the other.

5. *Cost extravagant and uneconomical in small scale operations.*

The difference is negligible, no figures are available to be certain and precise on the point. Large scale operations have disadvantages to counterpoise the advantages. An estimate from data supplied by the Jamshedpur works would corroborate me as also the experience of the Punjab factory.

Then, if wire nail is entitled to a higher protection than wire, even when associated with wire, as is my contention, this point loses its force.

Secondly, the standard of economical production must vary in accordance with the degree of industrial growth of the country concerned. One single concern in the United States of America may produce many times the entire consumption of wire and nails in India.

6. *The Industry does not mean much in the way of industrial employment.*

The fact is that unlike any other branch of the steel industry the wire industry including all its ramifications, is exceptionally automatic requiring exceptionally small amount of manual labour. The annual production of 365,000 tons of wire in the United Kingdom requires only 22,000 people including wire, wire netting, wire rope and every other wire manufacture—every man thus accounting for 16 tons. The production of wire nail is not known, but from the fact that the monthly export, as shown by Trade Returns, is in the neighbourhood of 400 tons, the annual production cannot exceed 12,000 tons, requiring just as many men as India would require for her whole consumption.

Small as the number of men employed, the fact has not stood in the way of protection to wire nail in England at the cost of the taxpayer as said above. One of the conditions justifying the protection was that a part of the small number of men employed in the industry was thrown out of employ.

7. *There is no scope for development of technical skill.*

Because the operations are just as automatic as that of wire drawing. The association of two makes no difference.

The nail machines require accurate adjustment (*vide* Board's memo. on wire and wire nail). The preparation of Point Cutters requires some skill and their heat treatment is a difficult task for even a skillful man.

The Board found a good deal wanting in nails of the Jamshedpur works after 4 months' working.

8. *May not utilize Indian wire.*

Want of discrimination in protective duty is responsible for the fact that the Jamshedpur works sell wire at the same price as nails, which alone keeps the wire nail industry from making use of Indian wire. Provided, adequately higher protection is given to nail (either in association or separately) this drawback in the way of Indian wire would be completely eliminated.

The wire nail industry then would certainly not import in direct opposition to the radical principle underlying protection bestowed on them, for the sake of importation only.

9. *No advantage to the country.*

The advantages are:—

1. The establishment of an essential key industry is a valuable national asset in itself.

2. The establishment of the industry would turn the trade balance to the extent of Rs. 25,00,000 towards credit side.

3. Would open up avenue for small capitalists, reducing unemployment among middle class people.

4. Would give direct employment to at least 300 people and help the growth of the Barrel industry.

5. Would feed the wire industry.

10. *Duty asked for is equal to the whole cost of production.*

33⅓ per cent. has been levied in England. That comes to at £14 a ton, to Rs. 60 per ton. The cost can hardly be any higher in England than here.

So the demand is not unusual.

11. *Protection will throw out the one concern that uses Indian wire.*

That protection will lead to similar works all over the country is conceded, but why "a great many of them would certainly be using imported wire" is not apparent.

There is protection to wire and concession from Tata in lieu of compensatory protection, to enable the Jamshedpur works to sell wire at the same price as imported wire. What would be the inducement to import? If they fail to supply the wire nail industry, it would import either that the protection was still insufficient or that some thing was wrong in the state of Denmark. But the protection to wire nails cannot be held accountable.

As to nails, the protection would benefit the Jamshedpur works to the same extent and with doubly economical production, on account of large scale and association with wire, it would be a pity indeed if they were still crowded out in fair competition.

THE PIONEER WIRE NAIL MANUFACTURING COMPANY, CALCUTTA.

B.—ORAL.

Oral evidence of Mr. RAMCHANDRA BASAK, recorded at Calcutta, on Wednesday, the 16th September 1925.

President.—You appear on behalf of the Pioneer Wire Nail Manufacturing Company?

Mr. Basak.—Yes, I am the proprietor of the Company.

President.—I thought that that was the position. Is it merely a name under which you trade, or have you registered the Company?

Mr. Basak.—No, I have not registered the Company.

President.—It is entirely a private firm?

Mr. Basak.—Yes.

President.—I think that it will be most convenient to begin with the statement you have sent in about the cost of production. There are a few points which are not clear to me and I want to make sure that I understand them. You have told us in giving your costs you have taken the wastage that occurs in the process of manufacture as 5 per cent.

Mr. Basak.—Yes.

President.—And you have quoted from the American Trade Journal which gives the reason why you have taken that figure.

Mr. Basak.—Yes.

President.—But don't you know what your actual wastage was?

Mr. Basak.—I do.

President.—In these two months you have made 9½ tons of nails?

Mr. Basak.—Yes.

President.—How much wire did you use to make 9½ tons of nails?

Mr. Basak.—About 1 cwt. is lost for every ton. That is the thing I have noticed in actual working.

President.—Then, the 5 per cent. is in accordance with your actual experience?

Mr. Basak.—Yes.

President.—So that to get 9½ tons of nails you must very nearly use 10 tons of wire?

Mr. Basak.—10 tons or a little more than that even.

President.—On that basis it would be just half a ton that would be wasted?

Mr. Basak.—Yes. Just an hour's observation of the nail making machine will convince you that the wastage must be as much as that.

President.—There must be some wastage undoubtedly.

Mr. Basak.—From actual experience I have found that it cannot be less than 5 per cent. nor very much more than that.

President.—The cost of the wastage in these two months you have taken as Rs. 104-8-0. What was the price of the wire that you took to get that figure?

Mr. Basak.—I calculated at 5 per cent. on the actual cost price which was something like Rs. 11 a cwt.

President.—Do you import your wire direct?

Mr. Basak.—Yes.

President.—There is the c.i.f. price at Calcutta and there is the duty. What else have you got to pay to get the wire to your factory?

Mr. Basak.—I have got to pay the duty on wire.

President.—What would the charges on a ton of wire amount to between its arrival in the port and its arrival at your factory? There must be landing charges and there must be transport charges. What would they amount to per ton?

Mr. Basak.—Four or five rupees a ton.

President.—Does that include port dues and also the transport charges to Dum Dum?

Mr. Basak.—Yes.

President.—I understand that you have got two nail making machines?

Mr. Basak.—Yes.

President.—During this period of two months, for which you have given the cost, were you working both the machines?

Mr. Basak.—Yes.

President.—And working one shift a day?

Mr. Basak.—Yes, but the shift was not fully employed all the time; otherwise I could have attained the maximum output for a single shift.

President.—Let us get clear about that. What is your working a single shift? That is 8 hours, is it not?

Mr. Basak.—Yes.

President.—Supposing you were working these two machines one shift and your workers were fully employed, what would be your output?

Mr. Basak.—8 tons per month.

President.—For the two machines working one shift?

Mr. Basak.—Yes.

President.—As your output was only 9½ tons, *i.e.*, 4¾ tons a month, it is clear that your workers were not fully employed.

Mr. Basak.—Quite so.

President.—If you were working two shifts you ought to be able to produce 16 tons a mnoth.

Mr. Basak.—Yes.

President.—And working three shifts you ought to be able to produce 24 tons a month.

Mr. Basak.—Exactly.

President.—Then you have given an alternative estimate in the letter with an output of 16 tons. Is that for two months?

Mr. Basak.—Yes.

President.—Working one shift?

Mr. Basak.—Yes.

President.—In that case you have reduced some of the items of expenditure. You have reduced the cost of fuel oil and depreciation.

Mr. Basak.—Yes.

President.—On the ground that with only two machines you are not getting full value for the oil you burn and also on the ground that the buildings that you have erected could contain two more machines without difficulty.

Mr. Basak.—Yes.

President.—So that practically what this estimate comes to is this. It is an estimate of what your cost of production would be with four machines working one shift.

Mr. Basak.—This is with two machines working one shift.

President.—With only two machines, your costs would be higher than this.

Mr. Basak.—Yes.

President.—So that it is practically an estimate of what your cost would be with 4 machines working one shift. Isn't that what it comes to?

Mr. Basak.—I have made some reduction in some of the items on the ground that the oil burnt could have driven four machines and also on the ground that the accommodation would have sufficed for four machines.

President.—I don't want to press this point. Really it is not quite an estimate for two machines and it is not quite an estimate for four machines. It is something between the two.

Mr. Basak.—Yes.

President.—I admit that with four machines your depreciation charges would go down still further lower than you have put them here.

Mr. Basak.—Yes.

President.—Then, you employ, I gather, one mechanic and one unskilled labourer. Can they work the two machines?

Mr. Basak.—Yes.

Dr. Matthai.—Can one mechanic attend to both the machines?

Mr. Basak.—Yes. The machines do not require incessant attention. What the mechanic has to do is to replace the point cutters when they are blunt or broken and to adjust the machine for different sizes of nails occasionally. So, he has not to devote his whole time to any one of the machines.

President.—With automatic machines, everything depends on the adjustment.

Mr. Basak.—These nail machines are perfectly automatic.

President.—Supposing you had four machines, how many men would you require?

Mr. Basak.—Only one extra unskilled labourer.

President.—So that the output would be, with four machines, 16 tons a month.

Mr. Basak.—Yes.

President.—That would be 200 tons a year for three men.

Mr. Basak.—Yes.

President.—That means that there is very little work to be done in the manufacture of nails out of wire.

Mr. Basak.—Yes.

President.—The consumption of wire nails in India is about 12,000 tons a year. If you divide that by 200 tons, you get 60.

Mr. Basak.—Yes.

President.—So that 180 men could make all the nails that India uses.

Mr. Basak.—Theoretically they can.

President.—The importance of that lies here that the establishment of the industry does not mean very much in the way of employment. It does not really add to the opportunities for industrial employment in the country.

Mr. Basak.—As far as the question of employment is concerned, of course, I must have to admit that the industry would not require very many hands.

President.—At the most it would never be an important industry. It can never be from the nature of the case.

Mr. Basak.—If the importance of an industry were to be judged solely from the point of view of the number of hands employed in the industry, of course, it is a fact that the Wire Nail industry is not of paramount importance.

President.—That is one of the points that has to be taken into account.

Mr. Basak.—Quite so.

President.—I notice that "packing cases" is almost the biggest item of expenditure out of the whole lot.

Mr. Basak.—Yes.

President.—How does the wire come to you? Is it packed at all?

Mr. Basak.—No, it comes in coils.

President.—But you have to pack your nails.

Mr. Basak.—Yes.

President.—Do you send them out in barrels?

Mr. Basak.—Yes.

President.—This is the cost of the barrels.

Mr. Basak.—Yes.

President.—What quantity of nails do you put in a barrel?

Mr. Basak.—1 cwt.

President.—What is the cost of a barrel for 1 cwt?

Mr. Basak.—10 annas.

Dr. Matthai.—That is to say, a ton would go in 20 cases.

Mr. Basak.—Yes.

Dr. Matthai.—Do you make these cases yourselves?

Mr. Basak.—No.

Dr. Matthai.—Do you buy them?

Mr. Basak.—Yes.

President.—There is another point. You are the proprietor of the Company. I take it that you supervise what the mechanic does?

Mr. Basak.—Yes.

President.—Also you have to market the nails that are produced.

Mr. Basak.—Yes.

President.—There ought to be, in the cost of making nails some allowance for your remuneration for doing that work. It is a necessary part. You hope to make some money out of it, don't you?

Mr. Basak.—As a matter of fact I do not myself supervise the thing, but my son does that. At any rate some supervision charge is necessary.

President.—So that really if one were to work out the cost of production, some allowance must be made for that. Somebody has got to be paid for it.

Mr. Basak.—Yes.

President.—I admit that it is rather difficult to say what it ought to be in the case of a small concern like this.

Mr. Basak.—That is why I have not taken that into consideration at all.

President.—Still some allowance must be made for supervision and selling charges. Somebody has got to write letters. There are always these things to be done.

Mr. Basak.—Some allowance must be made for it.

President.—You took Rs. 1,500 as your working capital?

Mr. Basak.—Yes.

President.—How did you get that figure?

Mr. Basak.—I could import about 5 tons of wire in a lot. That would cost about Rs. 1,000, and the balance of Rs. 500 is just for this and that.

President.—That would mean an output of 16 tons of nails every month. How often would you import wire?

Mr. Basak.—It will be seen that I have already commenced with a stock of 37 tons.

President.—That would be a very large quantity. Would you import every three months or what?

Mr. Basak.—Every 1½ months.

President.—In that case you would be importing 10 tons each time.

Mr. Basak.—Only 5 tons.

President.—If you have to import every five weeks, then you will have to import 10 tons each time.

Mr. Basak.—With the stock in hand, if I go on importing 5 tons regularly at an interval of 5 weeks, it would do.

President.—You have got to make 8 tons of wire nails. I am trying to get it on the basis that your machines are going to be fully employed for one shift anyhow.

Mr. Basak.—Otherwise it would not be a profitable concern at all.

President.—What it comes to is this. Before you are paid for the nails, you have bought your wire sometime before. You have had to pay for it in advance. Before you sell your nails, you have also got to pay the wages of the men you employ, rents and taxes and also for packing cases. It looks to me that the estimate of your working capital is a little low.

Mr. Basak.—It is a little low. I made it purposely so.

President.—It would have to be a little higher than that.

I notice that in your estimate for an output of 16 tons you have left out the interest on working capital altogether. Under overhead charges, you have given depreciation on plant and machinery and on buildings, but the interest on working capital has slipped out.

Mr. Basak.—Yes.

President.—Then about the prices of the wire that you purchased, you have given the prices that you paid in September 1924 and February 1925. I converted these prices into rupees. I added Rs. 60 for the duty and Rs. 5 for charges to the factory which apparently is correct. The first price (£11-1-0) is equivalent to Rs. 212 a ton, that is a little less than Rs. 11 a cwt. The other one (£13-0-0), after deducting the 3 per cent. commission, comes to Rs. 233, that is about Rs. 11-8-0 a cwt. I mention these figures because we have got to bring them into a form in which we can compare them with other prices. Now, what apparently your figure shows is, especially in any small factory like yours, that the cost of production won't go down much below Rs. 40 a ton. Is that your view also?

Mr. Basak.—It would never go below Rs. 35.

President.—It might be Rs. 38 or Rs. 39, but Rs. 40 is a convenient figure to take.

Mr. Basak.—So far as I have been able to gather, my idea is that.

President.—That is your own view?

Mr. Basak.—Yes.

President.—On that basis, is that the amount of assistance that the industry ought to receive?

Mr. Basak.—Yes, that is the amount of protection that the industry ought to receive.

President.—About Rs. 40 a ton?

Mr. Basak.—Yes.

President.—It might be given by making the duty on wire nails higher than the duty on wire by Rs. 40 a ton?

Mr. Basak.—That is what I have asked for.

President.—You have made also an alternative request that you should be exempted from the payment of duty on wire or you should be allowed a rebate.

Mr. Basak.—That comes to the same thing.

President.—What you are asking for practically is this, that the Government or the tax-payer should pay the whole cost of manufacturing wire into nails.

Mr. Basak.—Because the total cost of production is Rs. 40 and protection is asked to that extent.

President.—That is what it means. Apparently the supposition is that the whole cost of production has got to be borne by Government, *i.e.*, the tax-payer, in one form or another. As a matter of fact, if you put on the duty, the tax-payer would pay a great deal more, because he would be paying more not only for the nails that you sold to him but also for all the nails imported.

Mr. Basak.—Therefore I have asked for the other alternative.

President.—Even so, if the alternative was that you should get a rebate of Rs. 40, that would mean just this that the tax-payer was paying the whole cost of manufacturing nails out of wire. You buy wire and he pays for making it into nails.

Mr. Basak.—Practically it comes to that.

President.—Is not that a rather unusual proposal?

Mr. Basak.—Quite unusual. The case of wire nail is an unusual one. In view of the peculiar circumstances which have made nails cheaper than the thing from which they are made, this unusual proposal is put forward on our part.

President.—Let us go on to the unusual circumstances now. The explanation originally given to the Tariff Board by Mr. Walchand was that by using up the waste coil of wires to make nails it was possible, at any rate in Germany, for a manufacturing firm to sell nails as cheaply as wire. You don't accept that explanation?

Mr. Basak.—No.

President.—You attribute it to some system of bounties or trade agreements amongst the producers of wire and wire nails in Germany. Well, that is quite possible. I don't exclude it as a possibility for a moment. One knows that such things are done in Germany, but you have not given much evidence to show that that is what is happening. You have quoted from two books, one from an American report and another from a book published by Mr. Hauser. What is the date of this American trade report?

Mr. Basak.—1917.

President.—The United States went into war with Germany in March 1917. So at that time United States officers could not be writing reports on Germany's export of wire nails.

Dr. Matthai.—Was the enquiry made very much beore the publication?

Mr. Basak.—I am not in a position to say anything as regards that. I do not know exactly whether this report was based on an enquiry made previous to the war or not. I cannot say that. All that I can say is that the book is dated 1917.

President.—Was not the other book published before the war?

Mr. Basak.—It was first published in November 1915, and the edition from which I have quoted is dated 1917.

President.—That is Mr. Henri Hauser's book.

Mr. Basak.—Yes.

President.—If it was first published in 1915, no doubt it would refer to the pre-war state of affairs. Mr. Hauser says "In 1912 for each ton consumed for exportation one sees the Westphalian Coal Syndicate to pay to its clients a bonus of 2½ Marks, that of pig iron 6½ Marks, that of machine iron 11½ Marks for wire and 16½ Marks for nails." These figures are exactly the same as Mr. Enow gives in his report.

Mr. Basak.—Yes.

President.—That is why I think it is natural to assume that if one of these figures apparently belongs to 1912, when the other gentleman is giving the same figure he is also probably writing about the same period.

Mr. Basak.—What you mean is this, is it not, that because Mr. Hauser says in his report that a bounty of 5 Marks was given to nails more than to wire, and this figure tallies with what Mr. Enow says, therefore the book

published by the American gentleman must be speaking of the state of affairs prevailing in 1912?

President.—The curious thing about it is that it is not quite the same thing. Mr. Hauser says $11\frac{1}{4}$ Marks for wire and $16\frac{1}{4}$ Marks for wire nails, but the other report says $11\frac{1}{2}$ Marks per ton of raw material used for wire and $16\frac{1}{2}$ Marks per ton of material used for wire nails. It is not on the nails, it is on the wire that is going to be made into nails.

Mr. Basak.—It comes to about the same thing. The benefit is derived by the manufacturer of nails.

President.—There is a difference. Supposing Germany were to pay a bounty on the export of nails, that makes the German nails cheaper, but if it is done the other way, that is if the bounty is on the nail wire that is exported to be made into nails, then the other countries, *e.g.*, Belgium and Holland, which get cheap wire can reduce the price of nails, and then Germany follows suit.

Mr. Basak.—Does the American report imply that bounty was given to the nail wire exported?

Dr. Matthai.—What do you make out? Do you imply that it is a bounty on the nail wire used in Germany for the manufacture of nails for export?

Mr. Basak.—Yes, that is how I interpret it.

President.—Then the point is this. If the bounty only amounted to 5 Marks, that was not nearly sufficient to bridge the difference between the cost of making nails and the cost of making wire. Do you think 5 Marks was what it cost to make nails out of wire in 1912? It is a very small sum.

Mr. Basak.—It is not quite sufficient, I admit.

President.—In that case it does not explain why nails were as cheap as wire.

Mr. Basak.—5 Marks of course does not fully cover the cost of conversion of wire into nails, but at any rate it goes a little way.

President.—If that were all the evidence, there would not be much in it, I think. You yourself have given another quotation from Hauser. It says "The most typical instance is that of the Dutch and Belgian Nail Industry. It is a true offspring of Gemran dumping. Wire at 125 Marks the ton in Germany and only 98 Marks in Holland with cheaper labour left a final disparity of 30 per cent. which enabled Dutch nails to penetrate into the region of Dusseldorf, which had before this supplied Holland." That would apparently imply that Germany was selling nail wire in Holland 25 Marks a ton cheaper than in Germany.

Mr. Basak.—It was so, so far as I understand.

President.—Then if that were the case, the result would be that Belgian and Dutch manufacturers would be able to make nails very cheaply, and for that reason the German nail makers would have to bring down their prices also. One difficulty I have about the thing is that I do not quite see what advantages the German manufacturers have got out of this performance.

Mr. Basak.—They do not get any advantage. The wire syndicate dumped wire into Holland and Belgium; the evil consequence of that was that out of that cheap wire the Dutch and the Belgians made nails and sold them cheaper than nails made in Germany. That is why the nail syndicate in their turn had to dump nails.

President.—Quite so, but what did they gain by doing this?

Mr. Basak.—They meant one thing but the result was quite different from what they intended.

President.—Did they gain anything by this arrangement? Surely these arrangements are not made for the sake of amusement!

Mr. Basak.—By doing so the wire manufacturers got some pecuniary advantage at the sacrifice of the nail manufacturers, and when these nail manufacturers found how their interest was being sacrificed, they also began to dump their own products.

Dr. Matthai.—Do you think that sort of arrangement could continue all these years?

Mr. Basak.—The thing is that that was a fact in 1912 when there was no dumping of wire nails. Then both wire and wire nails began to be dumped and that is being continued up till now. That is what I understand the position to be.

President.—If the wire was dumped, then the nails must have been super-dumped because there is the imposition of one dumping upon another! But I don't quite see what the German manufacturer gains. First of all he sells wire below cost with the result that other countries manufacture nails cheaper. The result is that in order to sell his nails he has got to sell still further below cost.

Mr. Basak.—The nail manufacturer and the wire manufacturer did not work in co-operation, rather in opposition. Each sought his own interest, and this was the result.

Dr. Matthai.—Do they still do it?

Mr. Basak.—They have now co-operated to dump both the articles.

President.—Can you give us any evidence as to what has occurred since the war? All that you have quoted only refers to pre-war days.

Mr. Basak.—I cannot quote any authority, particularly in regard to nails, but I can show that these combinations are still continuing.

President.—It has been rather significant in the post-war period that Germany has never been anything like so prominent in the export market as she was before the war. Of course that is due to very special reasons. We have had a good many enquiries made just now and we have practically had no evidence to show what has actually been happening after the war.

Mr. Basak.—What I mean to say is this. If the object of these combinations is dumping then I have got evidence to show that even after the war there are syndicates or cartels to continue the dumping.

President.—That is not practically the same thing as dumping.

Mr. Basak.—I might explain that by saying that I mean they sell a particular product at a higher rate in their Home markets than they export it for; that is what the combinations are intended to achieve.

President.—That is what they did before the war, but we have had no evidence to show that this has actually been done after the war.

Mr. Basak.—I can show you from a report presented to the British Parliament in which it is stated that combinations are still being continued.*

Dr. Matthai.—You say cartels are still in existence, but is dumping still in existence?

Mr. Basak.—They go hand in hand.

Dr. Matthai.—Supposing the wire syndicate and the nail syndicate are now acting in co-operation and not carrying on war against each other how do you explain the fact that the export bounty on nails is higher than the export bounty on wire?

Mr. Basak.—The principle followed in granting export bounties is based on the degree of finish of the product to which the bounty is given. Nail is a product higher in finish than wire so the export bounty granted to nails is more than that granted to wire.

Dr. Matthai.—Does this difference of 5 marks represent the amount of finish?

President.—I can quite understand the system by which they have export bounties, that it should be higher on the more highly finished product precisely for the same reason that very often under the Customs tariff the duty gets higher on the more highly finished product. But what I cannot understand is how they can possibly gain by having a bounty which is not nearly

* Statement VI, para. 2 (*a*).

sufficient to bridge the difference between the cost of making nails and the cost of making wire.

Mr. Basak.—Do you think the explanation that Mr. Walchand has given quite conceivable and sufficient to account for Germany selling nails cheaper than wire?

President.—As I said one knows how the special export arrangements work, but I would like to have a little more definite evidence about it. It is very curious that apparently during the last four or five years in the price of wire nails and wire there has been very little difference. Sometimes nails are higher, but on other occasions the price of nails has been lower than the price of wire. That is a fact, is it not?

Mr. Basak.—Yes. Of course it has been brought to our notice that nails sometimes do sell cheaper than wire but we do not know what had happened in the past. We do not know if it had been the case even before the war. What Mr. Walchand said in his evidence implied that it was not.

Dr. Matthai.—You don't accept Mr. Walchand's explanation?

Mr. Basak.—No, I don't. I have stated the reasons why I cannot accept the statement of Mr. Walchand.

President.—When we examine the representatives of the Indian Steel Wire Products, Limited, we shall ask them about that. It is a valuable part of your evidence. At any rate some of the reasons seem to be quite interesting. But the most important aspect of this is, have you any reason to believe that a time will come when nails will always sell at a higher price than wire?

Mr. Basak.—I think it will. I don't think that nails will be selling at the same price as wire indefinitely.

President.—All the evidence we have had so far is that it must be accepted as a permanent feature of the trade.

Mr. Basak.—So far as I can judge I can say that this is an abnormal fact and this will not last long.

Dr. Matthai.—Supposing we accept your explanation that the fact that wire and nails practically sell at the same price is due to a particular system of bounties, do you suggest that that system will soon disappear?

Mr. Basak.—It will. Of course I don't mean that it will disappear just two or three years hence.

Dr. Matthai.—If that system has continued from 1912 up to this time, may we assume that it will continue for 15 years more?

Mr. Basak.—There is no knowing whether it will continue for 10 or 15 years. At any rate the system will not last very long. In other countries they are trying their best to do away with these things.

President.—Accepting your explanation that the fact is due to this export bounty system, I can give you one reason why it is likely to continue for a considerable time. In order to make reparation payments, Germany will be compelled to develop her exports in every conceivable way. Is it not so?

Mr. Basak.—Yes.

President.—If it is a familiar form of export bounty in Germany there is no doubt it is likely to continue.

Mr. Basak.—This form of bounty affects to a more or less degree all the successive products of the same manufacture. Why should you then be sticking so much to this particular product?

Dr. Matthai.—What is the reason? Why do they attach particular importance to this product?

Mr. Basak.—I do not know what is the reason for applying this feature particularly to this product.

Dr. Matthai.—Are they aiming particularly at markets like India where the demand for nails is much in excess of the demand for wire?

Mr. Basak.—That is one reason why nails are being sold cheaper than wire.

President.—If the cost of converting wire into nail in Germany were anything like Rs. 40 a ton, it would be quite impossible to have nails and wire selling at approximately the same price. What the facts at any rate do suggest is that even if there are export bounties and so on—even so the cost of making nails out of wire must be very much lower in Germany than it is out here.

Mr. Basak.—Yes. They carry on their work on a very gigantic scale, they have got most up-to-date methods of work, very good organization, which are all wanting in India and so the cost there of producing nails from wire must necessarily be considerably lower than it is out here. That is why protection is sought for. If we had up-to-date machinery and so on, there would have been no necessity for protection.

President.—Then what you are asking us to do is to encourage this uneconomic and extravagant way of making nails. You have yourself just now admitted that where you have got up-to-date methods and large scale organization the cost goes down very much. What you are asking us to do is to foster an industry where the cost is much higher.

Mr. Basak.—By uneconomic you mean it is not carried on on a gigantic scale as it is in Germany?

President.—I don't suggest anything! That is what you yourself suggested. But I certainly doubt very much whether in a small concern with only 2, 4 or 6 nail machines you can get economic production.

Mr. Basak.—Certainly not. If we had 12 machines it would be more economical, there is no doubt about that. But apart from this question of smallness of scale of my factory, what I say is that as there are concerns who do manufacture wire nails—it may be on a very small scale—and as protection has been given to wire, something should be done even for the sake of these small manufacturers in the way of helping this industry.

President.—It may very well be the case that, where the manufacture of nails is closely associated with the manufacture of wire, the cost may be distinctly less. That is quite possible. All that Government and the Legislature have decided so far is that the manufacture of wire, and the manufacture of nails so far as it is associated with the manufacture of wire, should be encouraged. There has been no decision that the manufacture of nails as a separate industry should be encouraged.

Mr. Basak.—That is so, but what I mean to say is that supposing Government and the Legislature have decided as they have done, if they find that there is a separate nail industry in existence when this decision is made, would it not be right to see to the interest of the manufacturer who manufactures wire nails?

President.—I don't see that the fact that you are already in existence affects the matter one way or the other, and for this very obvious reason that, if we give the protection you ask for, other small firms would undoubtedly spring up. Just consider for a moment what the result would be. You want Rs. 40 a ton. Let us assume that is sufficiently protective to lead other people to start similar works. Your factory happens to be established near Calcutta and you may be buying imported wire or wire from Jamshedpur. There is already a wire nail factory in the Punjab; you will probably see them started in Lahore, in the United Provinces, Madras, Rangoon and so on, and a great many of them would certainly be using imported wire and would not be using Indian wire at all. Apparently according to the figures you have given 240 men can make all the nails that India requires. Supposing you have had factories started in all these places manufacturing nails, most of them from imported wire, the final result is that the Jamshedpur factory would be crowded out which is making its nails from Indian steel owing to the competition fostered by Government itself. This is rather a difficult programme to undertake. That is to say, if you

give full protection to the manufacture of nails as a separate industry you are actually subsidising a competitor to the one concern that uses Indian steel.

Mr. Basak.—If you refuse granting protection to nails because it is not associated with wire, I should think that the same principle would make it necessary that protection should be denied to wire because it can be produced cheaper when associated with the production of rods and so forth.

President.—That is your assertion. I am not prepared to admit that. You say so, but what evidence have you got to say that?

Mr. Basak.—Is it not quite the natural thing to expect?

President.—Not necessarily. It may be true but we don't know whether it is true or not.

Mr. Basak.—Does it not at all appear that if the drawing of wire is associated with the rolling of rods the cost would be appreciably less than when it is carried on separately?

Dr. Matthai.—Is there any firm in existence which proposes to make wire in connection with rods?

Mr. Basak.—There is none.

President.—After all the logical conclusion of your argument would be not that protection should be given to nails, but that protection should be taken away from wires.

Mr. Basak.—Not the least.

President.—On the ground that, as they were a separate concern—they don't make the steel rods themselves, but they purchase them from the Tata Company—the cost of production was too high and therefore protection should not be given.

Mr. Basak.—I am sorry that you should take it in that light. What I intended to convey was only this that the principle you want to apply to wire nail applies equally well to that of wire. It is very difficult to draw the line where the two can be differentiated.

Dr. Matthai.—May I put it from another point of view? I should like to know what is the real advantage that you foresee for the country by giving protection to the Nail industry separately from the Wire industry. You don't utilise the Indian raw material, you don't give very much employment to labour—the utmost you can employ in the nail industry is 200 people; you don't even give any scope for the development of skilled labour, because it is just an automatic machine. What is the advantage which the country is going to derive?

Mr. Basak.—What I have in view is that, if protection is given to wire nails as a separate industry just at present, they may extend their scale of operations and in time may produce their own wire, just as those people at Jamshedpur said in evidence before the Fiscal Commission that they intended to roll their own rods in the near future.

President.—Your suggestion in reply to my colleague's question with regard to protection is this. They would gradually develop in this rather peculiar way beginning with the most finished product and then gradually working back—people who make nails will begin to draw wire and people who draw wire will eventually begin to roll rods. That is surely a rather paradoxical method of development.

Mr. Basak.—I am not able to put my case any higher than I have done and I leave it to the Board to decide.

President.—You saw from our letter that from the beginning we felt a good deal of difficulty about this case. It is not an easy matter to see how the thing can be justified under the principles laid down by the Fiscal Commission. That is what it comes to. It is not clear what natural advantages it has and it is not clear that you can ever dispense with protection if you once get it.

Mr. Basak.—I have said what I had to say about this.

Witness No. 4

MESSRS. HALLEY BROTHERS, LIMITED.

A.—Written.

Statement I.—Representation dated 29th May 1924, to the Government of India, Commerce Department, Simla.

We thank you for your letter of 22nd instant *re* proposed duty on high grade steel wire.

We wish, however, to draw your attention to the fact, that though the quality of steel which we consume is not obtainable in this country, it is, however, not nearly so costly as you presume it to be.

At the present time this wire is invoiced to us at Rs. 225 per ton and in the event of the 10 per cent. *ad valorem* duty being replaced by a duty of Rs. 60 per ton, it will be more than double the duty charged at present upon this wire.

As "Hackle-making" is an entirely new industry in India and is not yet properly established, we feel sure you will realise how important a matter it is that no undue burden should be placed upon the shoulders of this industry at the present time.

Trusting you will see your way clear to take the necessary action in this matter.

Statement II.—Further representation, dated 14th August 1924, to the Government of India, Commerce Department, Simla.

With further reference to your letters No. 78-T. (4) of 22nd May and 13th June, we feel compelled to bring this matter before you again for your consideration.

We have again approached Messrs. Tata Iron and Steel Co., Ld., and the Indian Steel Products, Ld., with a view to obtaining our supplies from them and we herewith enclose copies of our letters and their replies.

Messrs. Tata's are unable to supply and the Indian Steel Products, Ld., though they will not say definitely that they are unable to supply, show by their letter that they do not even know what Cast Steel Wire is.

Hackle-making is an entirely new industry in India. The material from which these are made costs us Rs. 225 per ton and duty charged is Rs. 60 per ton, or 26·6 per cent., whereas the finished article is still coming into the country at 2½ per cent. duty.

It is obvious from this that the Tariff Board in making this recommendation, and the Government of India in making it law, have entirely defeated their own object, as they are protecting "foreign industry" and not "home industry" as was their intention.

We must therefore ask you to take the necessary steps to have the duty on Cast Steel wire reduced to 2½ per cent. to bring it into line with finished Hackle Pins.

The Tariff Board in their report state:—

> "We have been constrained to put our proposals in this form owing to the great difficulty the Customs authorities would have in discriminating between the special and ordinary wires if they were subject to different rates of duty".

It appears to us an absurdity that duties should be fixed to suit the Customs authorities.

Should not the Customs Authorities be suitably equipped to deal with duties which are judged and fixed on their merits only, with regard to the good of the country's trade.

We would suggest that this difficulty might easily be got over if the Customs Authorities would agree to accept the certificate of a recognised firm of steel makers in England. We could arrange for a certificate to accompany such consignment.

Trusting you will take the necessary action and let us have your esteemed reply.

Enclosure I.

31st July 1924.

Messrs. Tata Iron and Steel Co., Ld.,
Jamshedpur.

DEAR SIRS,

Will you kindly let us know if you are able to make wire rods No. 5 Gauge or wires No. 6 to 16 Gauge of Cast Steel to analysis shewn below.

If so, would you be willing to supply same to us. Our requirements will be about 5 tons per week increasing later.

Yours faithfully,
For Halley Bros., Ld.

Analysis.

Carbon	·8 per cent.
Manganese	·7 per cent.
Phosphorus	·019 per cent.
Sulphur	·037 per cent.
Silicon	·15 per cent.

Enclosure II.

THE TATA IRON AND STEEL COMPANY, LD.

4th August 1924.

Messrs. Halley Bros., Ld.,
12, Clive Street, Calcutta.

DEAR SIRS,

Your letter dated 31st July 1924.

We regret we do not manufacture Wire Rods No. 5, etc., specified and are hence unable to supply the same. We are, however, referring your enquiry to Messrs. The Indian Steel Wire Products, Ld., Jamshedpur for their attention.

Yours truly,
Sd.
Sales Manager.

Enclosure III.

THE INDIAN STEEL WIRE PRODUCTS, LD.

6th August 1924.

Messrs. Halley Bros., Ld.,
Calcutta.

DEAR SIRS,

We beg to say that Messrs. The Tata Iron and Steel Company have sent us an excerpt from your letter to them regarding your enquiry for Wire Rods

No. 5 Gauge or No. 6 Gauge to 16 of Cast Steel and in reply beg to say that at present our Wire Drawing Department is temporarily closed and therefore refrain from quoting for same.

Yours faithfully,
The Indian Steel Wire Products, Ld.

(Sd.) S. MODAK,
Secretary.

Enclosure IV.

7th August 1924.

The Indian Steel Wire Products, Ld.,
Jamshedpur.

Dear Sirs,

Your favour of 6th instant to hand.

Will you please let us know the date on which your Wire Drawing Department will be opened again.

Also kindly state the earliest date on which you would be in a position to accept a contract say for:—

10 tons per month of Cast Steel Wire Rods No. 5 Gauge.

10 tons per month of Cast Steel Wire No. 6 to 16 Gauge all to the analysis sent you.

Yours faithfully,
For Halley Bros., Ld.

Enclosure V.

THE INDIAN STEEL WIRE PRODUCTS, Ld.

8th August 1924.

Messrs. Halley Bros., Ld.,
Calcutta.

Dear Sirs,

We are in receipt of your letter, dated 7th August for which we thank you and in reply beg to say that we are not in a position at present to say when our Wire Drawing Department will be opened. Until our Wire Drawing Department opens we cannot quote you for either 5 gauge or 6 to 16 gauge.

If, however, you want any quantity of Hard Bright Wire 7 to 16 Gauge, please communicate with our Calcutta representatives Messrs. Ganguli and Company, 62, Clive Street, Calcutta, who have some stock for immediate delivery and will be glad to quote.

By the terms "Cast Steel Wire" we mean "Iron Wire Mild Steel."

Yours faithfully,
The Indian Steel Wire Products, Ld.

(Sd.) S. DERBYSHIRE,
Secretary.

Statement III.—Letter from Messrs. Halley Bros., Ld., Calcutta, dated the 3rd October 1925.

We thank you for your favour of 16th ultimo with reference to the duty charged on our cast steel wire.

We herewith enclose our answer to your questionnaire (with five spare copies).

As directed our representative (Mr. D. C. Young) will wait upon you to give oral evidence before the Board at 11 A.M. on Wednesday, 7th October.

Enclosure.

Answers to questionnaire issued by the Tariff Board.

1. Jute Mills and Rope Factories.
2. Great Britain.
3. 2,250 tons per year.
4. This would be very difficult owing to the enormous variety of sizes made.
5. An authentic certificate from the makers of the Cast Steel rods should accompany each consignment.
6. Yes. The analysis of our wire is as follows:—

	per cent.
Carbon	0·8
Manganese	0·7
Phosphorus	·019
Sulphur	·037
Selicon	·15
	1·606
Iron	98·394 (by deduction)
TOTAL	100·000

7. A certificate from the makers guaranteeing the Carbon contents of the consignment to be (say) ·7 per cent., minimum.
8. The only other method would be a test of strength as compared with mild steel or iron rods the same size. This would prove a more elaborate test than by analysis.
9. Rs. 225 per ton c.i.f. Calcutta.
10. Taking an average size pins 12g×1″. The present duty (Rs. 60 per ton of wire) amounts to anna 1-6 per thousand pins.
11. 1,000 12g×1″ Card Pins (c.i.f. Calcutta), Re. 1-6.

MESSRS. HALLEY BROTHERS LIMITED, CALCUTTA.

B.—ORAL.

Oral evidence of Mr. D. G. YOUNG, representing Messrs. Halley Brothers, Limited, recorded at Calcutta, on Wednesday, the 7th October 1925.

President.—Where are your works?

Mr. Young.—At Shamnagar.

President.—How far is that from Calcutta?

Mr. Young.—18 miles.

President.—I have only a vague idea of what a hackle is; and my colleague is in the same position. Can you show us what a hackle is?

Mr. Young.—I am sorry I have not got one with me here.

President.—Probably we can get at what we want to know by asking questions.

Mr. Young.—It is almost exactly similar to a large gramophone pin.

President.—You make these pins out of the wire?

Mr. Young.—Yes.

President.—What happens to these pins?

Mr. Young.—They are fitted into wooden staves which are put on the cylinders of the machines in the jute mills.

President.—Then a hackle consists of pins and a stave.

Mr. Young.—A hackle is the pin only. When the pins get blunt, they are knocked out and new pins are put in. We only make the new pins here.

President.—Do the mills fix them on the stave?

Mr. Young.—Yes, they refill it themselves.

President.—You simply make the pins?

Mr. Young.—We make the pins here, that is all.

President.—All that you do is you import the wire and out of the wire you make these pins?

Mr. Young.—Yes. At present we are only importing a certain amount of wire. We are drawing our own wire from imported wire rods.

President.—Is that a recent thing?

Mr. Young.—For us it is comparatively recent. We have only been running here for two years altogether.

President.—Do you find that you can manufacture cheaper that way?

Mr. Young.—We would if this duty were off.

President.—We had a discussion with Indian Steel Wire Products, Limited, yesterday. We told them that in view of the statement made by the Tata Iron and Steel Company, there appeared to be no justification for a protective duty on wire rod at present. What we do not know yet is what exactly the limit or size will be between what they can and what they cannot manufacture at Jamshedpur. We are going to ask them. It might be useful if you could tell us what it is you import.

Mr. Young.—Cast steel wire rods No. 5 Gauge.

President.—Tell me how the gauges are worked? Which is the largest size?

Mr. Young.—The largest number is the smallest size. One is 000 and that is the biggest size in the gauge.

President.—Is that the border line between round bars and rods?

Mr. Young.—I don't see why it should be.

President.—Between bars and rods, it is only a question of the amount of rolling that has been done, is it not?

Mr. Young.—Yes.

Dr. Matthai.—What is the diameter of the 5 gauge rod?

Mr. Young.—About 7/32″.

President.—Is that the only size you import?

Mr. Young.—As soon as we can increase the capacity of our wire drawing plant, we will not have to import any more wire because we will be able to turn out sufficient wire for ourselves.

President.—What I mean is this. Is it only 5 gauge rod that you are importing or are you importing various sizes?

Mr. Young.—Only 5 gauge rods.

President.—And you are satisfied that if the duty were off, it would be cheaper to import rods?

Mr. Young.—Yes.

President.—Supposing the protective duty were removed not only from wire rod but also from wire and the 10 per cent. duty was put back, would it still be cheaper to import rods?

Mr. Young.—It would pay us to bring rods out.

President.—But at present your wire drawing equipment is limited?

Mr. Young.—Yes. We have not extended our works owing to this duty because we want to see how things turn out.

Dr. Matthai.—If you don't import wire rods, you will have to import wire and there will be no drawing at all here.

Mr. Young.—If we bring out rods we can draw them to any size. On the other hand if we bring out wire, we have got to carry something like 300 different sizes in stock.

President.—That means a heavy stock?

Mr. Young.—Tremendously heavy stock.

President.—You may get orders for almost any size?

Mr. Young.—Yes, from about 1/32″ to 3/16″.

President.—We asked the representative of Indian Steel Wire Products, Limited, yesterday whether they had any objection to a concession being granted to your firm and they said "no." They recognised that neither they nor anybody else could make cast steel wire in India just now. That settles the case in principle because nobody wants to penalise things which are not made in India. It therefore becomes mainly a question of ways and means, what is the best way to do it, what are the difficulties that have got to be safeguarded and so on. In the first place, is the wire actually made out of cast steel?

Mr. Young.—Yes.

President.—But I gather that you cannot identify the process by which it was made by any examination of the wire.

Mr. Young.—An expert might tell by bending it, but he will have to be an expert constantly dealing with wire.

President.—I doubt whether the Customs are likely to have an expert like that.

Mr. Young.—No.

President.—As things stand at present, I gather that the duty comes to 2½ per cent. on the value of the pins. The present c.i.f. price you give as Re. 1-6-0 per 1,000 pins.

Mr. Young.—The duty work out at six pies.

President.—The present duty on the rod used to make a thousand pins is 1 anna 6 pies.

Mr. Young.—That is the duty we are paying on rods equivalent to 1,000 pins.

President.—It is wire and not rods this time.

Mr. Young.—But we are paying Rs. 60 on wire rods. The Customs people say that anything that comes within the standard gauge must be considered wire whether it is rolled or drawn.

President.—That is a point which has never been put before the Board.

Mr. Young.—We approached the Customs and said " these are rods." We also took the matter up with the Metallurgical Inspector. We submitted a copy of his letter to the Customs. They could not recognise whether it was wire or rod. They simply went by the gauge.

President.—What I do not understand is who is the authority that settles what the standard wire gauge is.

Mr. Young.—The standard wire gauge is the British Standard Association's gauge.

President.—What is the limit?

Mr. Young.—5/16" is about the biggest size. 5 gauge is 7/32".

President.—But it is known as rod in the trade?

Mr. Young.—It is rod. You can see it. It has a black skin on it whereas wire is clean.

President.—The Secretary has just handed me the Customs Ruling of the Central Board of Revenue. The question referred to was this:—" When applied to iron and steel, the term " wire " ordinarily refers to material produced by drawing or, more rarely, swaging, and ' rod ' to material produced by hot rolling; but, by trade practice, the term wire is also applied to ' rolled wire.' The question is, at what limit of fineness does rolled iron or steel material cease to be admissible to the more favourable rate of duty prescribed for rod and become liable to assessment as ' iron or steel wire.'

Ruling.—(i) All material produced by drawing or swaging shall be classified as ' wire.'

(ii) Material produced by rolling, if of No. 8 B. W. G. (·165 of an inch or of less diameter) shall be classified as ' wire '; and over No. 8 B. W. G. as ' rod '."

·165 is less than 1/5"?

Mr. Young.—Yes.

President.—This ruling which I have just read out seems to settle the point.

Mr. Young.—Yes.

President.—Now, as it stands, is it a reasonable line to draw between wire and rod?

Mr. Young.—It would suit me all right.

President.—Do you import any wire at all?

Mr. Young.—We do. But after this rod is drawn the value increases so much that actually Rs. 60 per ton duty does not work out to much more than 10 per cent. *ad valorem*. A duty of Rs. 60 a ton on rods works out to nearly 30 per cent. *ad valorem* and with the rate of wastage at one-third, it brings it up to almost 45 per cent. on the finished pins, as against 2½ per cent.

President.—A duty of Rs. 60 per ton on what was rod and not wire would be exceedingly high.

Dr. Matthai.—In trade practice in England, is there any difference with regard to standard gauges between cast steel articles and other steel articles? In the case of cast steel rod, for example, would there be a different standard gauge?

Mr. Young.—No. It is all standard wire gauge.

President.—Do you import both rod and wire?

Mr. Young.—At present, yes.

President.—So that you are really interested in the removal of the duty on both?

Mr. Young.—We are.

President.—But probably you are interested more in rod than in wire?

Mr. Young.—Yes.

Dr. Matthai.—Are there any other firms in India who make hackles?

Mr. Young.—No, but a tremendous lot are imported.

Dr. Matthai.—They are used in jute and rope factories?

Mr. Young.—Yes.

Dr. Matthai.—What is the total consumption in India?

Mr. Young.—It is a difficult proposition to answer. I should think there are about 500 tons per week used in India.

Dr. Matthai.—Are they used in the making of coir rope?

Mr. Young.—It is used in treating almost any coarse fibre, except cotton.

President.—The suggestion you have made is that concession should be granted in respect of wire of which the carbon content was more than ·7 per cent.

Mr. Young.—That is so.

President.—Are the rods that you import cast steel rods?

Mr. Young.—Yes, it is exactly the same material as the wire.

President.—Is it the rod that costs you Rs. 225 per ton?

Mr. Young.—Yes.

President.—Then what would the wire cost you?

Mr. Young.—That varies according to size. 12 gauge comes in c.i.f. at Rs. 408 per ton.

President.—Then Rs. 60 on that is not quite so onerous.

Mr. Young.—No.

President.—On the rod, of course, when the value is only Rs. 225, it comes to 28 per cent.

Mr. Young.—Then we have one-third wastage in the process of manufacture and we have to pay a duty on that third as well as on the two-thirds.

President.—That is starting from rods?

Mr. Young.—Yes. The biggest wastage is in the sharpening of the pins.

President.—About a third is lost?

Mr. Young.—Yes.

Dr. Matthai.—These imports that you get come entirely from England?

Mr. Young.—Yes, entirely from England. We do not touch Continental rods.

Dr. Matthai.—Does anybody in India import from Continental countries?

Mr. Young.—I suppose they do, but I don't think there is any big quantity used.

President.—It is pretty common in steel imports that the higher quality steel tends to come from Great Britain. In our original enquiry we were told that the cheapness of Continental steel depends on mass production, but it is difficult to get mass production when something of a special kind is required, and therefore the old established firms in Great Britain who have been manufacturing special steel for a long time are subject to less competition.

Mr. Young.—That is so.

President.—The matter becomes a little complicated when we have to consider both wire and rod.

Mr. Young.—Yes.

President.—Of course, if the Board recommended the removal of the duty on imported rod, as soon as these proposals are accepted and the Act has been amended, then the thing is done. But that can hardly be done, I think, before March so that there is a period to cover in the interval, and during that period, it would have to be done by a rebate or exemption from duty.

Mr. Young.—If this ruling of the Central Board of Revenue that you have mentioned holds good that almost settles the question.

President.—The definition in the Tariff Schedule is—

> Bar and rod.—Common merchant, and bar and rod designed for the re-inforcing of concrete, all sizes. Specific Rs. 40.

Primâ facie the duty would be Rs. 40 unless you can show it is not "common merchant." I think there has been a ruling as to what common merchant bar is. It arose out of tinplate bars. The decision was that tinplate bar was not "common merchant" because it was not sold in the bazar. I take it that the rods you import are not commonly sold by merchants?

Mr. Young.—We cannot buy it in the bazar.

President.—Then you might be able to make out a case. It might be quite possible, even if the protective duty on rods were retained, to see that cast steel rods should not be liable to duty. But there remains the practical difficulty of discriminating. It might be quite possible for the Customs authorities to work a concession in favour of an individual firm, whereas it becomes much more difficult to work once the thing becomes general. How often do you import?

Mr. Young.—At the present time we import almost every month.

President.—Would you import more often than that if you were working to your full capacity?

Mr. Young.—We need not. We can arrange to bring out larger consignments.

President.—It might not be difficult for the Customs people to take samples once or twice a year and send them to the Metallurgical Inspector for analysis, but it becomes much more difficult if the number of analyses that have to be made becomes very large. This is the ruling of Central Board of Revenue in the case of tinplate:—

> "What the Tinplate Company claim is that the term 'common merchant' as applied to sheet should be interpreted as meaning steel of quality and dimensions commonly or regularly sold by merchants or middlemen in the open market; this claim appears to the Board to be correct. The Board further holds that the reference should be to markets in India; it is satisfied from the existence of market quotations in English trade journals that tinplate bars are regularly dealt in by merchants or middlemen in England, but is prepared to believe that no such dealings occur in India. The question therefore is whether the bars regarding which the appeal is made are or are not of the same quality and dimensions as 'common merchant' bars. The firm urge that the bars intended for their use have to be rolled to exact dimensions and foot weights; this is doubtless true but it is not established that no bars of the same dimensions are sold in the regular trade. As to quality, the information before the Board is to the effect—
>
> (*a*) that the composition of continental tinplate bars (which are those mostly used) is identical with that of ordinary continental bars; and that

(b) the tinplate bar is slightly uneven in section because it is not passed so many times through the rolls of the merchant mill as ordinary bar.

This last difference appears to the Board to constitute a real difference in quality; it is true that the difference will be difficult for any but an expert to detect in examination, but at present the circumstances of importation will certainly enable the Collector of Customs to decide in the case of any consignment whether such examination is necessary to check the declaration. Should a trade in bars so rolled spring up in the local open market, this order will have to be re-considered as the term 'common merchant' might then become applicable."

I have read that out because the Board will no doubt adhere to what they have laid down here when they have to decide similar cases, and therefore if you want to satisfy the Board of Revenue that it is not 'common merchant' rod, you have to prove that rod of this quality is not merchanted in India. That apparently is the criterion according to which they will decide the case.

Mr. Young.—If it were merchanted here, we could buy it here.

President.—You have to prove that it can be distinguished in some way from rod that is merchanted in India, and I take it, they would have regard to its chemical composition, the process by which it was made and so on.

Mr. Young.—Is any rod of that size merchanted in India? It can only be used by wire drawers?

President.—If the Indian Steel Wire Products, Limited, started again, they would import direct and would not import through merchants. I think rods must be dealt in by merchant to some extent, because Mr. Trivedi who gave evidence on behalf of the Bombay Iron Merchants' Association in the steel enquiry was very keen on getting the protective duty on rod removed.

Mr. Young.—They use lengths of rods; all our rods are in coils. You get 3/16" in lengths straight, that is very very common in the open market, but you won't find it in coils. They all come out in pieces, and are of no use for wire drawing.

President.—You might possibly make that the basis of distinction that there is no merchant trade in coiled rods. Of course, this is rather going outside our province. I am only considering whether it is necessary for us to make a separate recommendation as to how the matter should be dealt with, or whether it is likely that the Central Board of Revenue could dispose of it in other lines. On the whole it is probably safer that we should make a definite recommendation as to how it can be done, if the Central Board of Revenue finally decide that this is common merchant rod.

Dr. Matthai.—This procedure of certificate that you suggest is likely to present difficulties. You might have imports in India from a number of firms.

Mr. Young.—Not more than two or three.

President.—There would be difficulty if the certificate is too elaborate. It is always open to the Customs Authorities to have the contents tested by analysis. That is the real additional safeguard.

Mr. Young.—Yes.

President.—There is a further question that arises in connection with safeguards and that is this. In all cases where a special concession is given, that is to say a rebate of duty or an exemption from duty on the ground that the industry is being prejudiced by having to pay the duty, it is necessary to take precautions to make sure that the rebate of duty, or the exemption from duty, is only given on the steel (let us say) which is going to be used in that particular industry.

Mr. Young.—Yes.

President.—There is always the danger in concessions of that kind that people who do not pay the duty on the ground that they are going to use the

steel for one purpose might use it for some other purpose. The paper mills are allowed to take salt free of duty from the bonded warehouses, and I understand it is mixed with clay to make it unfit for general consumption. That is the reason why we put question No. 4—

> "Would it be possible to establish a definite ratio between the consumption of cast steel wire and the production of hackles."

Mr. Young.—It would be very difficult.

President.—If the Customs Authorities had access to your books and could ascertain the total quantity of hackles you had turned out, and then, if a ratio could be established, they would be able to say whether the quantity on which you wanted the rebate was reasonable.

Mr. Young.—It is very difficult to say.

President.—It would not be so difficult if you were starting with wire in each case.

Mr. Young.—Not quite so difficult.

President.—Because you might be able to establish a separate ratio for each size of wire, but this is not possible if you are starting with rod and drawing it out to all the different sizes.

Mr. Young.—Our lengths vary; also the diameter.

President.—Can you suggest any safeguard of that kind? Let me put it this way. Is this cast steel wire used for other purposes? Let us take the wire first. Is it likely to be imported for any other purpose except for making hackles?

Mr. Young.—Exactly the same quality would not be imported, but a slightly better quality could be imported for making springs.

President.—If a concession is given to one firm, the same concession cannot be withheld from people who are similarly situated. We have to work it out on general principles. We have to see what safeguards are possible.

Mr. Young.—Springs will come into the country at 2½ per cent. duty. Why punish the spring makers?

President.—If they use a slightly better quality, the duty will not be more than 10 per cent.

Mr. Young.—Yes.

President.—However, the spring makers have not yet approached us. Let us stick to this particular case. Can you make any suggestion?

Mr. Young.—It is very difficult to be able to prove conclusively that all the wire we have imported is used in making pins.

President.—The moment a concession is given, without any safeguards, the whole position of Government is weakened all along the line. Anybody may say: "This firm has got a concession, why shouldn't I"? It makes it more difficult. So far as the rod is concerned it is purely a question of a few months before the duty is reduced to 10 per cent., but as regards wire I am not at all prepared to say what the final position may be about that. We have got to see whether it cannot be dealt with specially in some way. I have no doubt that Customs would claim the right of inspecting your works from time to time, but practically it does not mean very much. They may inspect and examine your books and so on, but practically, if there was any attempt, to evade the Customs duty, they would not be able to find it out.

Mr. Young.—No.

President.—A system of bonded warehouses can be used in some cases.

Mr. Young.—That would be very elaborate.

President.—It would not be a practical way of working in this case as far as I can see. Can you not suggest any other way in which the difficulty could be got round. As far as testing is concerned that can be done. It is not very difficult. The difficulty is to devise some means by which any special conces-

sion will only operate in so far as the imported wire or rod is going to be used to make hackles, and it is not very easy to say how it can be done.

Mr. Young.—It is not. We might get rods and draw them into sizes which may not be used in making hackles for some time. The Customs have to find out what we have in stock.

President.—Would your books show the number of pins that you had actually made during the year?

Mr. Young.—Yes.

President.—It would be possible, would it not, to arrive at the quantity of steel consumed in making 10,000 or 1,00,000 pins of each size?

Mr. Young.—It would be possible to arrive at the result within two or three tons over a year's work.

President.—That would be quite near enough, for absolutely accurate results are not possible. Could you ascertain it within an error of 5 per cent.?

Mr. Young.—It can be done.

President.—That would to a large extent solve the difficulty. Only the ratio will have to be laid down.

Mr. Young.—Yes.

President.—The kind of arrangement I am contemplating is that you should get a rebate of Customs duty already paid in proportion to the quantity of steel used in making hackles as shown by your actual output.

Mr. Young.—That would be quite workable.

President.—But, of course, the arithmetic might be a little hard for 300 different sizes.

Mr. Young.—Our books show actual monthly outputs of pins to a lb.

President.—For each size.

Mr. Young.—The whole lot in weight to a lb.

President.—Then if the wastage can be taken as a third, on that basis you do get the ratio that is wanted.

Mr. Young.—It can be done that way.

Dr. Matthai.—There is no other material used except wire.

Mr. Young.—No.

President.—The point is this. In the nature of the case it could not be the refund of the whole duty. What you are asking for is a refund of the difference between the actual duty and 10 per cent.

Mr. Young.—Yes.

President.—In the case of wire, the difference (between Rs. 60 and Rs. 40) would not be very large.

Mr. Young.—That is a fairly fine size. At the present time we are not importing wire much heavier than that. The heavier size of wire comes in at half or two-thirds of that price.

Dr. Matthai.—In your original letter you are asking to reduce the duty on cast steel wire to 2½ per cent.

Mr. Young.—We always ask for more than we can get.

President.—There is not much justification in the case of rod for this reason that, if the duty is 10 per cent., then you are no worse off for practical purposes than you would be under a system of absolute free trade.

Mr. Young.—No.

President.—You see on the basis of equality of tariff treatment, that is all you can claim.

Mr. Young.—Yes.

President.—On the other hand as regards wire you are worse off if you are paying Rs. 40. If the 10 per cent. duty amounts to Rs. 40 or something like that, you are only paying Rs. 60. That would work out to more than 2 per

cent. on the hackle so far as I can make out, so that you would in the case of wire require some adjustment. But anyhow the practical question is how is the amount of the rebate to be fixed, taking into account the fact that the value of imported wire may vary.

Mr. Young.—Quite.

President.—If the Customs people had collected the duty at a specific rate in the first instance, it would be a nuisance to have to find out what they would have charged, if it had been 10 per cent. *ad valorem.*

Dr. Matthai.—What has been the variation in the cost of the cast steel?

Mr. Young.—It has not varied much in the last two years.

President.—It must have varied, expressed in rupees, when the exchange went up.

Mr. Young.—Yes.

President.—The Customs people would calculate the duty on the rupee value and there would be difficulty in adjusting the amount of the rebate. Take the case of rods. Supposing the duty on rod was Rs. 60, there would be a refund of two-thirds of the duty. But if the duty were only Rs. 40, there would be a refund of half the duty. At present prices, in the case of wire, it would be something like 1/5, that is to say, if it is limited to 10 per cent. I don't quite see on what basis the system would be. I think the Customs people would object to the labour involved in having to ascertain every time you ask for a refund, the total value of each consignment you imported.

Mr. Young.—Yes.

President.—That rather points in the direction that it might be better in this particular case not to collect the duty at all at a higher rate, but rather to collect the duty at 10 per cent. at the time of importation and be done with it.

Mr. Young.—Yes. On this finding I understand that I am entitled to claim the rebate.

President.—As the Central Board of Revenue have substituted No. 8 B. W. G. (·165 of an inch) or of less diameter for No. 6 B. W. G. (·203 of an inch) I think since April the rod is liable to the duty of only Rs. 40 a ton.

Mr. Young.—There is one other point with reference to our getting a rebate. We might be able to arrange to import, say, every three months and whenever that wire arrives in Calcutta, we might give the Customs a certificate showing what the weight of hackles we have made since the last consignment came in and pay Rs. 60 on the first consignment and on the next consignment pay on what we have used of the previous consignment.

President.—That might be possible. You would get a reduction in the duty on the next consignment in proportion to what you would have used in the period before. That would be a feasible way of doing it.

Mr. Young.—It would mean that we have to pay Rs. 60 a ton only on one consignment.

Witness No. 5.

THE TATA IRON AND STEEL COMPANY, LIMITED.

A.—Written.

Statement I.—Letter, dated the 30th September 1925.

We have the honour to acknowledge receipt of your letter No. 506, dated the 10th instant, on the subject of supply of wire rod to the Indian Steel Wire Products, Limited, asking us to inform the Board whether we are confident of our ability to manufacture wire rod in the near future and if so by what date.

We may be able to supply No. 5 rod to the Indian Steel Wire Products Company some time in the future, but do not care to make any definite promise. Our merchant mill was never designed to roll a No. 5 rod and it has always been doubtful whether we shall be able to do so or not. A lot of experimental work will have to be undertaken in order to find out if we can roll this section, and under the present circumstances it is undesirable that we undertake such experiments at the present time or in the relatively near future. It will take weeks of experimenting and during this time the tonnage on the mill would be greatly reduced and the costs correspondingly increased. This we cannot afford. We are, therefore, unable to supply the rods to the Indian Steel Wire Products, Limited, and must recommend to the Tariff Board that the import duty on the rods should be reduced or alternatively a rebate should be given to the Indian Steel Wire Products Company on the rods imported by them.

Statement II.—Letter dated 20th/21st October 1925, from the Tata Iron and Steel Company, Limited.

We have the honour to acknowledge receipt of your letter No. 551, dated the 7th instant on the above subject.

2. We regret extremely that we have inconvenienced the Indian Steel Wire Products, Limited by our present inability to roll the wire rod mostly required by the Indian Wire Products, Limited. We wish therefore to explain the position. We have not seen the recent evidence given by the Indian Steel Wire Products, Limited before the Board but we think there has been some misunderstanding in the matter. In 1922 when the agreement between the Steel Company and the Indian Steel Wire Products, Limited was under discussion it was stated to us by their Consulting Engineers, Messrs. Perin and Marshall, who were also the Consulting Engineers of the Steel Company, that the Indian Steel Wire Products, Limited would require rods from ½ inch diameter down to No. 5 and that except the smallest size all these could be furnished by the Steel Company. In a letter dated 18th May 1922 Mr. Marshall of Messrs. Perin and Marshall especially brought this fact to our notice and pointed out that the Indian Steel Wire Products, Limited would be handicapped in competition with the other Wire Mills to the extent of their cost for reducing the ¼ inch rods to No. 5 rods. The point was carefully considered when the agreement was under discussion between the two Companies and at the express request of the Indian Steel Wire Products, Limited a clause was added providing that whenever the Steel Company are unable to furnish them with suitable sections they should be free to purchase the sections in the open market. This clause was inserted because it was understood that their principal requirements would be No. 5 and they actually suggested in their letter of 22nd May 1922 that we should supply ¼ inch rods and allow them a rebate on the price to cover the cost of drawing such rods down to No. 5. We are not aware whether they have equipped their factory with any machinery that will enable them to do this. But it will be apparent that the Indian Steel Wire Products, Limited have never at any time been unaware of the fact that the Steel Company would in all probability be unable to supply rods smaller than ¼ inch and that their Consulting Engineers were fully aware of the position and had informed them of it and suggested a suitable means of meeting it. On the 13th September 1923 the Steel Wire Products, Limited enquired from us when we would be in a position to supply wire rods. We enclose a copy of their letter. We also enclose a copy of our reply dated 25th September 1923 in which we stated that we could not guarantee the supply of steel rods before the middle of 1924. It will be noticed that in the correspondence there is no reference to the size of the rods required nor were we informed that the Indian Steel Wire Products, Limited had abandoned their intention of drawing down ¼ inch rods received from us. Our reply was based on a statement from the General Manager that he did not expect to start the new Mill on which ¼ inch rods would be rolled before the middle of 1924.

3. Our Consulting Engineers, Messrs. Perin and Marshall, also advised us in 1922 that, although a mill designed to roll No. 5 rod was in the Greater Extensions Programme, no provision had been made on the present Merchant Mill for the rolling of such rod on account of an excessive initial cost which they considered unjustified in view of the small consumption of such rods. After investigating the market for wire in India, our Consulting Engineers found that even with the Government Telegraph business the consumption was so small that a special wire rod mill could not be justified. They, therefore, made provision for rolling ¼ inch rod on the Merchant Mill in order that the Wire Market could be developed in a small way and if in the future this proved profitable, a special wire rod mill could be added. When the agreement with the Indian Steel Wire Products, Limited was under discussion in

1923, the then General Manager of our Works wrote to us in his letter dated the 2nd February 1923:—

"We, however, wish to put on record the present position as we understand it with regard to the supply of No. 5 rods which is the size of rod the Indian Steel Wire Products, Limited will mostly require. The lowest section which our new Merchant Mill is designed to roll is a ¼ inch rod and Mr. Marshall is of opinion that the Mill cannot roll a lower section. While I do not say that the Mill can roll a No. 5 rod, I am perfectly willing to try and roll the section when the Mill is in operation and even though as stated in my letter No. 3687 of the 12th June, we are not able to produce a rod of the exact dimensions of No. 5 gauge, we may be able to produce one near enough in size that the expenditure in drawing it down to a No. 5 rod would be almost negligible."

As the management were hopeful of rolling wire rod of No. 5 gauge or something so near as to be suitable and as the Steel Wire Products, Limited were fully aware of the position and accepted it the agreement was concluded. After actual experience of the Mill our present General Manager has come to the conclusion that he cannot undertake the rolling of rods lower than ¼ inch on account of the difficulties mentioned in our last letter. The Board will see from the correspondence referred to that the Indian Steel Wire Products, Limited were perfectly aware that there was every probability of this happening as at no time had we said anything more than that we would endeavour to roll as near No. 5 gauge as possible and hoped to be able to do so. We would also refer to our statement regarding the products which we expected to manufacture printed at page 67 of the evidence given at the first enquiry, Volume I, in which we have shown the size of rods which we expected to manufacture as ¼ inch.

4. Further, we wish to bring to the notice of the Tariff Board that our agreement with the Indian Steel Wire Products, Limited is not only for the supply of wire rods. The agreement provides for the supply of steel material of the standard sections for the time being manufactured by the Steel Company and which shall be required for the manufacture of wire shapes, *steel shelving* and other articles. Such steel material is to be *partly rods and partly sheets.* In May 1923 the Indian Wire Products, Limited had informed us that the finished products intended to be manufactured were (*a*) wire, (*b*) wire nails, (*c*) metal shelving and (*d*) structural steel and that the total annual output of the factory was estimated at 10,000 tons out of which 5,000 tons would be wire and 5,000 tons metal shelving. It will thus be seen that wire rod was only one of the raw materials required by the Indian Wire Products, Limited and, as we have already pointed out, they originally contemplated using ¼ inch rods and drawing them down.

5. We have been all along acting in this matter on the advice of our experts. We may be able to supply No. 5 rod to the Indian Wire Products, Limited at some future date, but for the present we cannot state when we shall be able to do so. As apparently they have given up the original idea of taking from us ¼ inch rods and reducing them in size we recommend excluding from the operation of the protective duties those sizes of rods which they require and we are unable to manufacture. We, therefore, suggest that the following addition should be made to No. 151 in Schedule II of the Import Tariff:—

"Common merchant and bar rod designed for the reinforcing of concrete, all sizes (excluding all sizes below ¼ inch diameter)."

6. We are arranging to send our representative to give evidence before the Tariff Board as desired by you and we telegraphed to you on the 19th instant which we beg to confirm as follows:—

"131. Your telegram 580. Regret delay. Posting letter to-morrow. We are sending representative give oral evidence. Will you please give General Manager, Jamshedpur, 48 hours notice prior to date

fixed for giving evidence and he will arrange to send representative."

We regret extremely the inconvenience which has been caused to the Board in the matter.

Enclosure I.

Copy of letter No. 1338-23, dated 13th September 1923, from the Indian Steel Wire Products, Limited, to Messrs. Tata Sons Ld., Agents, The Tata Iron and Steel Company, Limited

With reference to your letter No. G.-574-23, dated 22nd May 1923, may we know if the information contained therein as regards the supply of wire rods to us, holds good for the present and that therefore we have to presume that you will be in a position to supply us with the rods before the middle of 1924.

We want this information in connection with our evidence before the Tariff Board at Calcutta.

Enclosure II.

Copy of letter No. G.-1057-23, dated 25th September 1923, from The Tata Iron and Steel Company, Limited, to the Indian Steel Wire Products, Limited, Bombay.

Supply of rods.

In continuation of our letter No. G.-1033-23 of the 20th instant we beg to advise you that we cannot guarantee to supply your Company with steel rods before the middle of 1924.

Enclosure III.

Extract from letter No. 512 of 22nd/25th May 1922, from the Indian Steel Wire Products, Limited, to Messrs. The Tata Iron and Steel Company, Limited.

3. *Steel material.*—We admit our first wording was rather vague when it asked for rods of all sizes. As bulk of our wire products will be made from No. 5 rod having a diameter of ·207″, we suggest that our standard size will be No. 5 which is the usual standard size elsewhere and price of which forms the base to arrive at prices of other sizes. As, however, the Tata Iron and Steel Company is manufacturing only ·25″ rods, at present, the agreement may be so worded as to include both ·25″ and ·207″ rods. We do not mind taking ·25″ rods for which your Mills are signed if we are paid our actual cost of reducing this size to ·207″. This cost will be only about Rs. 3 per ton, exact figure for which will be decided by the two General Managers. Our price for your rods ·25″ will therefore be price of ·207″ (standard No. 5) less Rs. 3 or whatever figure the managers decide.

It should be added here that whenever the Steel Company are unable to furnish us with suitable section we are free to purchase the sections which they cannot supply, in the open market.

1923, the then General Manager of our Works wrote to us in his letter dated the 2nd February 1923:—

"We, however, wish to put on record the present position as we understand it with regard to the supply of No. 5 rods which is the size of rod the Indian Steel Wire Products, Limited will mostly require. The lowest section which our new Merchant Mill is designed to roll is a ¼ inch rod and Mr. Marshall is of opinion that the Mill cannot roll a lower section. While I do not say that the Mill can roll a No. 5 rod, I am perfectly willing to try and roll the section when the Mill is in operation and even though as stated in my letter No. 3687 of the 12th June, we are not able to produce a rod of the exact dimensions of No. 5 gauge, we may be able to produce one near enough in size that the expenditure in drawing it down to a No. 5 rod would be almost negligible."

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Enclosure I.

Copy of letter No. 1338-23, dated 13th September 1923, from the Indian Steel Wire Products, Limited, to Messrs. Tata Sons Ld., Agents, The Tata Iron and Steel Company, Limited

With reference to your letter No. G.-574-23, dated 22nd May 1923, may we know if the information contained therein as regards the supply of wire rods to us, holds good for the present and that therefore we have to presume that you will be in a position to supply us with the rods before the middle of 1924.

We want this information in connection with our evidence before the Tariff Board at Calcutta.

Enclosure II.

Copy of letter No. G.-1057-23, dated 25th September 1923, from The Tata Iron and Steel Company, Limited, to the Indian Steel Wire Products, Limited, Bombay.

Supply of rods.

In continuation of our letter No. G.-1033-23 of the 20th instant we beg to advise you that we cannot guarantee to supply your Company with steel rods before the middle of 1924.

Enclosure III.

Extract from letter No. 512 of 22nd/25th May 1922, from the Indian Steel Wire Products, Limited, to Messrs. The Tata Iron and Steel Company, Limited.

3. *Steel material.*—We admit our first wording was rather vague when it asked for rods of all sizes. As bulk of our wire products will be made from No. 5 rod having a diameter of ·207″, we suggest that our standard size will be No. 5 which is the usual standard size elsewhere and price of which forms the base to arrive at prices of other sizes. As, however, the Tata Iron and Steel Company is manufacturing only ·25″ rods, at present, the agreement may be so worded as to include both ·25″ and ·207″ rods. We do not mind taking ·25″ rods for which your Mills are signed if we are paid our actual cost of reducing this size to ·207″. This cost will be only about Rs. 3 per ton, exact figure for which will be decided by the two General Managers. Our price for your rods ·25″ will therefore be price of ·207″ (standard No. 5) less Rs. 3 or whatever figure the managers decide.

It should be added here that whenever the Steel Company are unable to furnish us with suitable section we are free to purchase the sections which they cannot supply, in the open market.

Statement III.—Letter dated 1st November 1925, from the Tata Iron and Steel Company, Limited.

In reference to your request made to our Mr. Chew, on the 28th ultimo for a copy of letter No. G. 574/23, dated May the 22nd, 1923, to the Indian Steel Wire Products, Limited, from Messrs. The Tata Iron and Steel Company, Limited, Bombay, we attach hereto a copy of same for your file and also a copy of the completed agreement for the supply of steel rods between the Indian Steel Wire Products, Limited, and the Tata Iron and Steel Company, Limited, executed in October 1924.

Enclosure I.—Copy of letter dated 22nd May 1923, from the Tata Iron and Steel Company, Limited, Jamshedpur to Messrs. Lalubhai Walchand Capadia & Co., Agents, The Indian Steel Wire Products, Limited, 65, Appollo Street, Fort, Bombay.

We beg to acknowledge receipt of your letter No. 732 of the 11th instant, enquiring when we shall be in a position to give you deliveries of wire rods.

We expect to start our Mill next year but will not be able to supply the rods required by you before the middle of 1924.

Enclosure II.—Copy of agreement for the supply of raw material.

The Tata Iron & Steel Co., Ltd., Bombay.

Special Adhesive Stamp.

ONE RUPEE.

THIS AGREEMENT made this twenty-fourth day of October One thousand nine hundred and twenty-four BETWEEN THE INDIAN STEEL WIRE PRODUCTS, LIMITED, a Company incorporated under the Indian Companies Act of 1913, and having its Registered Office in Bombay (hereinafter referred to as "The Wire Products Company" which expression shall unless excluded by or repugnant to the context be deemed to include the Indian Steel Wire Products, Limited, and its successors and permitted assigns) of the one part and the TATA IRON AND STEEL COMPANY, LIMITED a Company incorporated under the Indian Companies Act, 1882 and having its Registered Office in Bombay (hereinafter referred to as "The Steel Company" which expression shall unless excluded by or repugnant to the context be deemed to include the Tata Iron and Steel Company, Limited, and its successors and assigns) of the other part WHEREAS the Wire Products Company has recently been incorporated with the object (*inter alia*) of establishing the manufacture in India of Wire Nail and other Wire Products including Barbed Wire, Field Fence, Bale Ties, Poultry Netting, Standard Wire, Telegraph Wire and also Steel Shelving and Steel Furniture NOW IT IS HEREBY AGREED AND DECLARED by and between the Wire Products Company and the Steel Company each for itself and so as to bind its successors and assigns in manner following that is to say:—

1. At all times during which the Wire Products Company shall remain in occupation of the land at Jamshedpur comprised in and demised to the Wire Products Company by the Steel Company by an Indenture of Lease dated the Twenty-fourth day of October one thousand nine hundred and twenty-four (hereinafter referred to as "the demised premises") or in occupation of any other premises which by mutual agreement between the parties may hereafter be demised by the Steel Company to the Wire Products Company either in addition to or in substitution for the demised premises and

shall carry on in and upon the demised premises its business as defined by the hereinbefore recited object for which it has been incorporated the Steel Company shall unless prevented by strikes, shortage of labour or material, breakdown or accidents to machinery or other accidents and causes of whatever nature beyond the control of the Steel Company supply to the Wire Products Company such quantity of Electric Power as the Wire Products Company shall from time to time *bonâ fide* require for the purpose of its said business but not exceeding 300 K.W. and the following conditions shall have effect in connection with such supply, namely, (*a*) The Wire Products Company shall name to the Steel Company the minimum and maximum of electric power which it will require and within which it will be at liberty after giving due notice in writing to the Steel Company to call for, (*b*) the minimum and maximum of such power requirements shall be revised by mutual consent after each period of five years, (*c*) for the first ten years from the commencement of supply the charge and other terms and conditions for power supply will be the same as those fixed for other subsidiaries of the Steel Company and shall be embodied in a separate agreement to be signed by the parties which agreement shall be in the standard form of the Steel Company and (*d*) on the expiration of the said period of ten years the rate for electric power shall be settled by agreement between the said parties or failing agreement by arbitration in the manner hereinafter provided.

2. At all times mentioned in the last preceding clause the Steel Company shall unless prevented by any of the causes aforesaid supply Industrial Water to the Wire Products Company on terms similar to those which may be fixed for other subsidiaries of the Steel Company which shall be embodied in a separate Agreement to be signed by the parties which agreement shall be in the standard form of the Steel Company.

3. (*a*) The Steel Company will sell and deliver to the Wire Products Company and the Wire Products Company will buy and take from the Steel Company for the period of ten years from the date on which the Steel Company first commences delivery as hereinafter provided all its requirements of steel material of the standard sections for the time being manufactured by the Steel Company and which shall be required for the manufacture of wire shapes, Steel Shelving and other articles such requirements not being less than four thousand (4,000) tons nor more than fifteen thousand (15,000) tons during any calendar year subject to revision of such minimum and maximum quantities at the end of the first five years of the said period of ten years. Until the Steel Company shall commence delivery as hereinafter provided the Wire Products Company shall be at liberty to procure all such material as aforesaid from elsewhere.

(*b*) The Wire Products Company shall give to the Steel Company six months' previous notice in writing of its requirements of steel material for the next calendar half year within the aforesaid minimum and maximum limits and the tonnage required during any one calendar half year shall be not more than twenty-five per cent. in excess of or twenty-five per cent. less than the tonnage taken by the Wire Products Company during the half year immediately preceding the date of each such notice provided that if for any calendar half year the Wire Products Company shall require more than twenty-five per cent. in excess of its requirements during the preceding half year or a tonnage which will exceed the aforesaid maximum tonnage during the calendar year the Wire Products Company shall have the option of either purchasing such additional material from the Steel Company delivered f.o.r. Exchange Siding between the Bengal Nagpur Railway and the Steel Company at a price equivalent to the c.i.f. landed Calcutta price for similar material less Rs. 5 per ton if the Steel Company is able and willing to supply the same or of procuring such material from elsewhere.

(*c*) The Steel Material to be supplied by the Steel Company shall be of such kind and specification as may be actually manufactured by the Steel Company and shall be partly rods and partly sheets of the same quality and specification as material made in England or America for manufacture

of the aforesaid articles. An extra charge to be added to the price hereinafter mentioned in sub-clause (*d*) of this clause will be made by the Steel Company for supplying material to closer or more rigid specification in the event of its agreeing to make such supplies but such extra charge shall not exceed the standard extras charged in England or America for similar rigid specifications. The Wire Products Company shall at the time of giving such notice of its requirements under sub-clause (*b*) of this clause state in writing whether it desires English or American specifications to be adopted in respect of the material to which such notice relates. The Wire Products Company shall send its inspector to the Steel Company's Works to inspect the material before despatch and the Steel Company shall not be in any way or for any reason liable or responsible in respect of the material after such inspection, unless it is proved that such material does not conform to the specification agreed upon in analysis.

(*d*) During the first five years of the supply the price of steel material delivered f.o.r. Exchange Siding between the Bengal Nagpur Railway and the Steel Company shall be the mean of the English and American quotations f.o.b. at Port of shipment for steel material of similar specifications and quality *plus* ten shillings per ton. For the purpose of determining the prices of steel rods and steel sheets respectively the period of the first five years shall be counted from the date of the respective first delivery of steel rods and steel sheets provided that in both the cases the delivery of the material shall commence six months after notice of requirements has been given by the Wire Products Company and accepted by the Steel Company. For the second five years the price of the steel material to be supplied f.o.r. Exchange Siding between the Bengal Nagpur Railway and the Steel Company will be the mean of the English and American prices of materials of similar specification and quality c.i.f. Calcutta *plus* all port dues, landing and handling charges required to land such steel *plus* half the Indian Customs duty. The aforesaid prices shall be calculated as provided by clause four hereof. On the expiry of the said term of ten years the agreement for supply of steel material to the Wire Products Company shall be renewed every ten years on such terms as may then be mutually agreed on between the parties or failing agreement as may be fixed by arbitration in the manner hereinafter provided.

(*e*) The obligations of the Steel Company under this clause shall cease with the determination from any cause whatever of the lease of the demised premises and the Steel Company shall not be in any way liable for non-performance either in whole or in part of any contract with the Wire Products Company or for any delays in performance thereof in consequence of strikes, shortages of labour, breakdown or accident to machinery or accidents of whatever nature, failure on the part of the Railway Company to supply sufficient wagons to carry essential raw materials to and finished products from the Works of the Steel Company or any other cause of whatever nature beyond the control of the Steel Company or in the event of actual diversion of the steel material designed for the Wire Products Company happening under Government order or Defence of India or other similar Regulations.

4. (1) The price of the steel material supplied under this agreement during any particular month shall be provisionally paid in the succeeding month against bills prepared by the Steel Company on the following basis, such payment being subject to final adjustment as hereinafter provided :—

(*a*) During the first five years of supply the f.o.b. Port of shipment quotations for English material of similar quality shall be taken from the "Ironmonger" published in England and the f.o.b. Port of Shipment quotations for American material shall be taken from "Iron Age" published in America during the first week of the month in which the materials were supplied. These quotations shall be converted into Rupees at the rates of exchange current during that week and to the mean of these two quotations a sum in Rupees equivalent to ten shillings per ton also at the current rate of exchange shall be added for freight charges.

(b) After the first five years of supply the c.i.f. landed Calcutta quotations for English material shall be worked out by adding to the f.o.b. port of shipment quotations published in the "Ironmonger" during the first week of the month in which the materials were supplied, the following items, namely,

(1) The current rate of freight from the English Port to Calcutta, (2) The current rate of insurance, (3) The River dues, (4) The Port Commissioner's charges, and (5) Landing and handling charges and all other such other charges as may be required to land such material at Calcutta. The quotations for American material shall be similarly worked out by adding to the f.o.b. Port of Shipment quotations published in the "Iron Age" during the first week of the month in which the materials were supplied, the following items, namely, (1) The current rate of freight from the American Port to Calcutta, (2) The current rate of insurance, (3) The River dues, (4) Port Commissioner's charges, and (5) Landing and handling charges at Calcutta and all other such charges as may be required to land such material at Calcutta. The amounts in Pounds Sterling and in Dollars shall be converted into Rupees at the rates of exchange current during the week. To the mean of c.i.f. landed Calcutta quotations for English and American materials worked out in the above manner one half of the Import duty in India on similar articles shall be added.

(c) The landing and handling charges for landing English and American steel material at Calcutta referred to in the last preceding sub-clause shall be determined by certified returns for similar consignments (both as regards quantity and quality) landed at Calcutta at that time and such certified returns shall be obtained from Firm of Clearing Agents of repute such as Hoare Miller & Company, Limited, of Calcutta or some other firm of Clearing Agents of similar standing as may be decided by mutual agreement or in default of agreement may be named by arbitration in the manner hereinafter provided.

(2) The final adjustment of price will be made at the end of every quarter as follows:—

(a) Messrs. Tata Limited, London, shall cable every month an average quotation for that month for English and American material of similar quality f.o.b. Port of Shipment and c.i.f. landed Calcutta obtained by them by actual enquiry and the monthly prices in both cases shall be worked out as described above on the basis of such prices.

(b) If the provisional price paid for any particular month is higher than the price worked out from the cable quotations for that month, the latter price shall be substituted for the provisional price and shall be taken as the final price in respect of the material supplied during that month and the excess amount paid by the Wire Products Company shall be refunded by the Steel Company.

(c) If the provisional price paid for any particular month is lower than the price worked out from the cable quotations for that month, the Wire Products Company shall pay to the Steel Company in respect of the materials supplied during that month in addition to the said provisional price, an amount per ton equal to half the difference between the provisional price and the price worked out from the cable quotations for that month.

5. The Wire Products Company shall not sell to any person, Firm or Company as such any of the steel material supplied to it by the Steel Company but all such material shall be used exclusively for the purpose of the aforesaid business of the Wire Products Company.

6. The Wire Products Company will not buy or attempt to obtain from any other person, Firm or Company any steel material of the kind or specification manufactured by the Steel Company and which the Wire Products Company may require in excess of the maximum hereinbefore fixed except

as provided by clause 3 (*b*) hereof or any other raw material required for its business unless it is unable to obtain the same from the Steel Company at rates to be agreed upon between the parties.

7. During the period of this agreement the Steel Company will purchase from the Wire Products Company such quantities of scrap steel out of scrap steel not required by the Wire Products Company as the Steel Company may require and desire to buy at the average market rate for the time being paid by the Steel Company in respect of its purchase of scrap steel from other parties.

8. The Wire Products Company and the Steel Company mutually agree that neither of them will engage in its service any staff or labourers belonging to the other party or to any subsidiaries of the Steel Company without the consent in writing of the previous employers of such staff or labourers.

9. The Wire Products Company will contribute either in proportion to the benefits received or at least an equitable share (of either of which the Steel Company shall be the sole judge) of the expense both capital and recurrent to be borne by the Steel Company in respect of the Water Supply, Drainage, Roads and Hospital at Jamshedpur and will co-operate with the Steel Company as far as possible in the proper and successful conduct and management thereof.

10. In the event of the Wire Products Company going into liquidation (except for the purpose of amalgamation or reconstruction) or for any other reason ceasing to carry on its business or in the event of failure on the part of the Wire Products Company for a space of three calendar months to comply with any notice in writing by the Steel Company calling upon the Wire Products Company to remedy any breach, non-observance or non-performance by the Wire Products Company of any of the provisions and Agreements herein contained this Agreement and everything herein contained shall be deemed to be terminated but without prejudice to the rights of either party then subsisting against the other.

11. In the event of any dispute or difference at any time arising between the Steel Company and the Wire Products Company in respect of this agreement or the interpretation thereof or any clause thereof or to anything arising out of or incidental thereto such dispute or difference shall be submitted to the arbitration of two arbitrators one to be named by each party to the dispute or difference and in case of difference between them to an Umpire to be appointed by the Arbitrators before taking upon themselves the burthen of the reference and this Agreement shall be deemed to be a submission to the arbitration of two arbitrators within the meaning of the Indian Arbitration Act, 1899, so that that Act (except as hereby expressly varied) or any Act of the Legislature passed in substitution therefor or in modification thereof and for the time being in force shall apply to any reference hereunder.

IN WITNESS WHEREOF the common seals of THE INDIAN STEEL WIRE PRODUCTS, LIMITED, and THE TATA IRON AND STEEL COMPANY, LIMITED, HAVE BEEN HEREUNTO AFFIXED the day and year first above written.

THE COMMON SEAL OF THE INDIAN WIRE PRODUCTS, LIMITED, was hereunto affixed pursuant to a resolution of the Directors of the Company passed at a meeting of the Board held on the thirtieth day of June one thousand nine hundred and twenty-four in the presence of—	The Seal of the Wire Products Limited.

(Sd.) LALUBHAI SAMALDAS,

F. R. WADIA,

Directors.

LALUBHAI WALCHAND CAPADIA & CO.,

Agent.

THE COMMON SEAL OF THE TATA IRON AND STEEL COMPANY, LIMITED, was hereunto affixed pursuant to a resolution of the Directors of the Company passed at a meeting of the Board held on the seventeenth day of October one thousand nine hundred and twenty-four in the presence of :—	The Seal of the Steel Company.

(Sd.) NAROTTAM MORARJEE,

N. B. SAKLATVALA,

Directors.

TATA SONS, LIMITED } *Agents.*

(Sd.) J. D. GHANDY,

Director.

THE TATA IRON AND STEEL COMPANY, LIMITED.

B.—ORAL.

Oral evidence of Mr. H. CHEW, representing the Tata Iron and Steel Company, Limited, recorded at Calcutta on Wednesday the 28th October 1925.

President.—I should like to begin by saying that we are very glad to get the last letter from the Tata Iron and Steel Company because it clears up the position a good deal, and the important fact that is brought out is that since 1922 at any rate the Indian Steel Wire Products, Limited, have known perfectly well that there might be a difficulty about the supply of No. 5 rods. That fact was not brought to our notice when evidence was taken on the last occasion. That makes a considerable difference, but there is one comment I should like to make on your letter. You begin by saying "We regret extremely that we have inconvenienced the Indian Steel Wire Products, Limited, by our present inability to roll the wire rod mostly required by the Indian Wire Products, Limited." The way I was looking at it was hardly that. If it is purely a domestic question between the two Companies, it does not directly concern the Board, but the point is rather this that, however it happened, the true position was not disclosed to us in our original enquiry and we were under a misapprehension as to what the position really was, and in consequence the full facts were not laid before the Government of India and the Legislative Assembly. It is from that side of the case I am approaching it because it is very important that on this occasion at least we should get quite clearly what the facts really are. The evidence we had on the last occasion was to this effect that the Tata Iron and Steel Company would probably be able to supply wire rods to the Wire company about the middle of 1924. That affected our recommendations in two ways. We did not think it necessary to delay the imposition of the duty on rods because the Wire Company were going to obtain rods from Tata's so soon, that it was not worth while to postpone the introduction of that duty. That is the main respect in which our recommendation was modified. If we had known that the rod would not be supplied before 1926 at the soonest, I think obviously we should have refrained from proposing that the duty should go on to the rod.

I observe, however, that with your letter you have sent us a copy of a letter from the Indian Steel Wire Products, Limited, to the Tata Iron and Steel Company, dated the 13th September 1923. It would be convenient if I read that letter:—

> "May we know if the information contained therein as regards the supply of wire rods to us holds good for the present and that therefore we have to presume that you will be in a position to supply us with the rods before the middle of 1924? We want this information in connection with our evidence before the Tariff Board at Calcutta."

The reply of the Tata Company was:—

> "In continuation of our letter No. G. 1033/23 of the 20th instant we beg to advise you that we cannot guarantee to supply your Company with steel rods before the middle of 1924."

That is certainly not a form of guarantee that you would supply them with rods but that you would not supply them before that date. The point there is mainly this that the Board were not aware of the fact at that time. I notice that the letter from Indian Steel Wire Products, Limited, makes a reference to a previous letter of yours dated the 22nd May 1923. I don't think we have a copy of that.

Mr. Chew.—I am afraid I have not got a copy of that letter here.

President.—What they say is "may we know if the information contained therein as regards the supply of wire rods to us holds goods for the present. . . . ." I think it would be better if you could send us a copy of that letter just to make the collection complete.

Mr. Chew.—I will send it to you later.*

President.—You have also sent us a copy of a letter, dated 22/25th May 1922 from the Wire Company to the Tata Company, from which it is clear that they realised that you might not be able to roll rods smaller than ¼ inch. In that letter they also raised the question of the price that should be paid for the ·25 inch rod. They said:—"We do not mind taking ·25 inch rods for which your mills are designed if we are paid our actual cost of reducing this size to ·207 inch. This cost will be only about Rs. 3 per ton, exact figure for which will be decided by the two General Managers. Our price for your rods ·25 inch will therefore be price of ·207 inch (standard No. 5) less Rs. 3 or whatever figure the managers decide." Was any definite reply sent to them as regards the price?

Mr. Chew.—No, nothing definite was decided as regards the price. There has not been any subsequent correspondence other than our repeated intimation to the Wire Products Company that we may not possibly be able to roll No. 5 rods. But this Rs. 3 per ton was the estimated cost of drawing ·25 inch rods to ·207 inch and it was not further discussed.

President.—In the letter that has come recently from the Wire Company, they indicate that they are reopening the question.

Mr. Chew.—I have no doubt that it can be amicably settled.

President.—The agreement provides that for whatever they take from you they pay the mean of the American and British prices?

Mr. Chew.—Yes, *plus* 10 shillings.

President.—Would there be any difference between the British prices for No. 4 and No. 5 and similarly in the case of the American prices for No. 4 and No. 5? In that case, it would automatically solve itself.

Mr. Chew.—I don't think so. The trade paper quotations are for No. 5 and in some cases ·25 inch and finer.

President.—What occurred to me was this. Wherever the rod is made, somebody has got to incur the expediture of drawing the ·25 inch rod to No. 5 *i.e.*, ·207 inch and one would imagine that you would actually be able to buy No. 4 a little cheaper than No. 5?

Mr. Chew.—The Iron Trades Review quotes for wire rods of ·25 inch and finer, one price.

President.—The same price?

Mr. Chew.—Yes.

President.—In that case, it would not solve itself. Then, there is one thing that was not brought out on the last occasion when we heard the evidence and that is this, that the primary obligation of disclosing the fact to the Board clearly lay upon the Indian Steel Wire Products, Limited. When we come to hear their representative, we have certain questions to put to him. I should like to say this also that there are two things to be said explaining the action of the Tata Iron and Steel Company. The first is this. In the list (which is printed in the Evidence Volume of the 1st Enquiry) of the products which the Tata Company were going to manufacture, they gave rod down to ¼ inch and they said nothing about going further than that. The second thing is—as far as I can ascertain from the printed record of evidence and also from my own memory—I don't think we ever put a direct question to the Iron and Steel Company on the subject.

Mr. Chew.—I think that, as far as the Steel Company is concerned, probably the reason why the fact that we could not roll No. 5 rod was not men-

* Statement III, Enclosure I.

tioned in the original enquiry was that the Indian Steel Wire Products, Limited, were familiar with the doubt that existed about our ability to roll No. 5 rod and it might not have occurred to any one while giving evidence for the Steel Company before the Tariff Board to mention that fact.

President.—The important thing now is to get clear as to what the position is. In the first place, as regards No. 5 or any other smaller size, the position is now wholly indefinite. It may never be done at all. You cannot give any indication as to that?

Mr. Chew.—I may say at this stage that the Steel Company had a meeting with certain officials of the Indian Steel Wire Products, Limited, on October 24th and we definitely told them at that time that with our present lay out we could not roll No. 5 rods.

President.—I can understand the reasons for that pretty easily because the Tata Company itself is in need of protection, and until you have fully utilised your plant for what it is designed, it is difficult to use it for what it is not designed. I don't think as a matter of fact in the light of the last letter that has come from the Indian Steel Wire Products, they would have very much to gain by your attempting to do it. Apparently they will be able to do it themselves in their own works from the ·25 inch rods. What is the smallest size you have made so far?

Mr. Chew.—⅜ inch rods.

President.—My recollection is that you indicated that some difficulty had been found about that.

Mr. Chew.—That is so. But I would like to say that the merchant mill which we have at Jamshedpur is designed for a very wide range of sections in order to be able to cater for as many sizes as possible in the Indian market. The term "merchant mill" applies to a variety of mills. It does not apply to any one particular kind. Merchant mills roll usually in Europe and America a limited range of sizes of products. For instance, an 8 inch mill would probably roll from ½ inch to ⅞ inch rounds and would not do any size outside that; a 9 inch mill would roll sizes which are a little heavier and a 10 inch will would roll sizes which are heavier still. Our merchant mill was built to roll a larger range of sizes than any which Messrs. Morgan Construction Company had built before. Although we have successfully rolled the medium and the heavier sizes of bars on this mill and in some respects the lighter sections, we have not yet been able to successfully operate it and obtain substantial tonnages on sizes lower than half inch round.

President.—Then, there is a good deal of work to be done before you can be certain of supplying the quarter inch rods?

Mr. Chew.—There is a good deal of work to be done, as you say. Experiments have to be carried out in the mill. We cannot hope for success at the very first attempt. I have been instructed to say that by August 1926 we would be in a position to supply to the Indian Steel Wire Products, Limited, every month 250 tons of ·25 inch rods which they estimate to be their present requirements.

President.—That is, by 1st August?

Mr. Chew.—In August 1926.

President.—The point that is really running in my head is this, provided that it is clear you can supply the quarter inch rod—I don't know it is a matter of any great importance to take special measures to expedite it—the question of date is not so important, and for this reason: We have got to consider the removal of the protective duty from certain sizes of rods and our proposals will have to cover the whole period up to the 31st March 1927. If you start exactly in the middle of 18 months before the statutory enquiry begins, you would have either to get rid of the duty for a period during half of which there will be none produced, or to abolish it for a period during which it will be produced.

Mr. Chew.—I follow that.

President.—It seems to me that in some ways it will be more convenient if it were slightly different.

Do you think that if you roll the smaller sizes of rod, you will have any other customers besides Indian Steel Wire Products, Limited?

Mr. Chew.—Not for any appreciable quantity.

President.—As regards their purchase from you, they are tied by their agreement with you, that is, they must give you notice and if you say you can supply it, they have got to take it from you, and in accordance with the agreement they can only buy elsewhere if you say you cannot supply it. In that case it does not seem to me that a protective duty can do anybody any good if you have no other market for those sizes.

Mr. Chew.—The market for quarter inch rods is certainly not appreciable outside the requirements of the Indian Steel Wire Products, Limited.

President.—After all, what is the good of keeping a protective duty on something which you manufacture for only one company which is bound to take it and for which there is no other market? Let me put it this way. Apart from the requirements of Indian Steel Wire Products, Limited, you would not be making this size at all?

Mr. Chew.—No, we would not. We would roll it in very small quantities in the form of straight bars but not in coils, on one of the original mills built in 1912, but that mill of course has a very, very limited capacity. Its present output of quarter inch rounds is only about one ton or 25 cwts. in 8 hours.

President.—The point is this. If we are going to make any change in the duty on rods, let us make a clean cut somewhere. It is no use for practical purposes retaining a protective duty which is not going to do any good to anybody. What practically is the limit of the size?

Mr. Chew.—If we have to proceed with the installation of this additional equipment in order to furnish the wire rod to the Indian Steel Wire Products Company, then quarter inch would be the limit. If we don't proceed with the installation of this additional equipment, I would say that half inch is the basis.

President.—I am not in any way asking that the Company should commit itself beyond the 31st March 1927, because the present duties will then be replaced by other duties. It is only up to that date that we are concerned with the point at present. In your view, nothing less than half an inch will, for practical purposes, be of much importance to you?

Mr. Chew.—That is so.

President.—At what point do you cease to call a thing a bar or when do you call it a rod? Is it only a question of dimensions?

Mr. Chew.—We have quarter inch bars as well as quarter inch rods. But the quarter inch rods are always in coils.

Dr. Matthai.—Where do you draw the line between wire and rod?

Mr. Chew.—I could not really answer that question. It is more in a wire drawer's line.

President.—Supposing you are making both quarter inch rods and quarter inch bars, would you be making them in exactly the same mill?

Mr. Chew.—We would make them in the same mill. One would be straight bars and the other in coils.

President.—Would it be a physical impossibility to make bars of longer lengths and coil them? Is it the same process or what?

Mr. Chew.—The rolling process is exactly the same.

President.—There is no difference in that?

Mr. Chew.—No.

Mr. Ginwala.—In the case of rods, you don't cut them to lengths?

Mr. Chew.—No, it is wound on a reel.

President.—What I am thinking of is, how are the Customs authorities going to administer it? You have told us that nothing less than half inch rods will interest you really at present. Does that also apply to half inch bars?

Mr. Chew.—That applies equally to half inch bars. Our difficulty in rolling quarter inch bars is not really greater than the difficulty in rolling quarter inch rods as a commercial proposition.

President.—It is practically the same thing?

Mr. Chew.—Yes.

President.—If that be so, my own feeling—I don't want you to commit the Company if you think that there is any doubt about it—my own feeling is that the simplest thing is to eliminate from the scope of the protective duty anything below half inch.

Mr. Chew.—This point was discussed before I came down here. I was instructed to say, if the question arose, that half inch might be taken as the basis.

President.—We have to consider the precise wording. What you suggest is "excluding all sizes below ½ inch diameter." The word "diameter" I suppose can raise the idea of something round. It would hardly apply to flats, squares and so on.

Mr. Chew.—Exactly.

President.—I was just wondering whether that was sufficient for Customs purposes.

Mr. Chew.—The wording may be altered as "common merchant round bar and rod."

President.—The addition should be "excepting round bar and rod below ½ inch diameter."

Mr. Chew.—Yes.

President.—Then the position of the Tata Iron and Steel Company is this, that they have no doubt that they can make the quarter inch rods?

Mr. Chew.—We have no doubt about that.

President.—Purely from the point of view of the interests of the Tata Iron and Steel Company itself, I take it that you are not anxious to do it earlier than necessary?

Mr. Chew.—I am afraid I cannot answer that question. It is a question of policy for the management.

President.—What it comes to is this. There will probably be a more profitable outlet for the steel you make until the total output of the steel goes up.

Mr. Chew.—The rolling of rods would certainly reduce the merchant mill production by 200 to 250 tons a day. The minimum that we can hope to roll when we start up would be 15 tons a day and the maximum we can ever hope to roll would be about 40 to 50 tons a day. Rod rolling is a speciality in itself. Rod rollers are men who have been trained in rod mills. Rod rolling is a distinctly different line to the ordinary merchant bar rolling. Rod mills which are specially designed for the production of wire rods are driven at enormously high speeds. Some of them are driven at a speed of a thousand revolutions a minute, whereas the ordinary bar mill runs at nothing like that speed—something less than half.

President.—And therefore the cost of production on a merchant bar mill would be higher than on a special rod mill?

Mr. Chew.—Very much higher.

President.—The copy we have of the agreement between the Tata Iron and Steel Company and Indian Steel Wire Products, Limited, is not dated. Can you tell me the date of the agreement?

Mr. Chew.—October 1924.

President.—We were under the impression that it had been executed some time before our enquiry.

Mr. Chew.—No, the draft agreement was under discussion for a long time before the terms were finally settled.

President.—I think it would be well if you could let us have a copy of the agreement as it was executed.

Mr. Chew.—I will send you a copy.*

President.—This is the passage I want to read to you from the letter of the Indian Steel Wire Products, Limited, to the Tariff Board. "We showed our plans and specifications of the existing plant to the General Manager of the Tata Iron and Steel Company, Limited, who had already visited our factory and asked him if he agreed with our Works Superintendent. He said that in his opinion our present plant was quite suitable for the purpose of drawing the quarter inch rod into No. 5 rod."

Mr. Chew.—The General Manager did express that opinion. That is correct.

President.—I just wanted to get that confirmed.

Dr. Matthai.—There is just one point I want to raise. As far as your part of the contract is concerned it is really a question of the output of the Steel Wire Products Company. What I mean is this; for your rods under ½ inch there is no open market practically?

Mr. Chew.—No, there is not any appreciable quantity sold in India.

Dr. Matthai.—Therefore, whether it is worth your while to make these rods would depend upon the demand you would get from the Indian Steel Wire Products, Limited. That is the real crux of the question?

Mr. Chew.—Yes, apart from the fact that we have concluded an agreement with them.

Dr. Matthai.—Supposing it was a question of the supply of No. 5 rod and you had to instal a new machine, all that initial cost would not be worth your while unless you got a sufficient demand from the Steel Wire Products, Limited?

Mr. Chew.—In 1922 it was made perfectly clear that this doubt existed.

Dr. Matthai.—Supposing—I am putting it to you as a hypothetical question—the Steel Wire Products, Limited, were working to capacity to-day, that is to say they were producing 5,000 or more tons of wire to-day, in that case would it be worth your while producing the rods?

Mr. Chew.—I don't know that I can answer that question off-hand. You mean from the point of view of profitable production—cost *vs.* sales?

Dr. Matthai.—You have no demand for these rods in the open market because they are smaller than ½ inch, and therefore it is not worth your while to put yourself to this expense. What I want to know is, from the point of view of the Steel Wire Products, Limited, to what extent should they increase their output in order to make it worth your while to undertake this business? Could you give me some approximate idea of it?

Mr. Chew.—In order to enable the Steel Company to produce sufficient rods to meet the maximum demand of the Wire Company, which I understand is about 5,000 tons annually eventually, the Steel Company will have to spend a considerable sum of money to put in subsidiary equipment.

President.—Is that on the basis of No. 5 rods?

Mr. Chew.—No. No. 4. We cannot roll No. 5. The price provided in the agreement would never be profitable to the Steel Company. I don't think the Steel Company have, as a matter of fact, looked at the agreement from that point of view. My impression may be wrong, but the impression in my mind is that they were going to produce these irrespective of the price.

* Statement III, Enclosure II.

As a commercial proposition it will not pay us to make the alterations to produce quarter inch rods.

Dr. Matthai.—As far as I can gather from your letter, there are three things which you might do in pursuance of this contract. You might give them No. 4 rods, or you might give them some rod which is between No. 4 and No. 5, or you might put up a new machine and give them No. 5. The last of course is the most expensive and even the second you are not prepared to consider under present conditions. The first is an immediate possibility, is it not?

Mr. Chew.—Yes.

Dr. Matthai.—The whole case for protection, as far as I am able to gather from the report of the Tariff Board, was more or less based, upon the contract. The steel wire business is assumed to be an integral part of the Steel industry because they are going to get their raw material from you under this contract. What I want to ask you is this. I don't of course want you to commit yourself to a declaration of your policy. At present it is certainly not worth your while carrying out this contract. That is perfectly obvious, is it not?

President.—Take it from me that my colleague is putting this question to you for purposes of argument!

Dr. Matthai.—Let us assume further for argument's sake that from the point of view of the Steel Wire Products, Limited, it is better for them not to buy from you under this contract but to buy from outside because they will be able to buy cheaper.

Mr. Chew.—Yes, they will be able to get it cheaper.

Dr. Matthai.—So that, as things stand at present, this contract on which we based the whole case for protection is obeyed more in the breach than in the observance! There is a loophole provided in this contract which both parties can take advantage of. Therefore it comes to this, looking at it as a detached observer, that the main ground on which the case for protection is based, namely the contract, goes, and therefore it becomes necessary for us to review the whole position. There is just one more point I want to put to you—it is rather hypothetical and I don't want you to commit yourself in any way. Here are the Wire Products people whom we have given protection; they cannot undertake the production of wire on a big scale unless they get a certain amount of additional protection. They have got to establish that they are an integral part of the Steel industry and for that, they must get their raw materials from an Indian industry. Now, the Indian Steel industry is not in a position to give them their raw material because their production is not sufficiently large, and therefore we are in an awfully vicious circle.

President.—I am putting the same point in a different form. If there were no question of protection it would be in the interest of neither company that you should manufacture this rod. It is not in your interest that you should make this because it increases the cost of your bar mill. It is not to their interest because they can buy it cheaper elsewhere. In addition to that if you start to make it, both you and they will require additional protection at the expense of the taxpayer. That is the paradoxical position we are landed in. It is exceedingly embarrassing.

Mr. Chew.—I am afraid I have not been instructed to reply to any question of the policy to be followed regarding the production of rods.

Mr. Ginwala.—Would you accept the view that the President put before you as correct?

Mr. Chew.—I personally certainly accept as correct that foreign rod to-day can be imported into the country at a much cheaper price than is provided for under the terms of the contract with the Wire Company.

President.—Nobody knows what the prices will be in the future. After all one of the points we have got to consider is this. It is rather absurd that

the Iron and Steel Company should be obliged to take certain action which increases their cost and thereby increases their need for protection at this stage. That is an important aspect of the case.

Dr. Matthai.—In the contract where you speak of the supply of No. 4 rod and the question of rebate, I suppose what it really works out to is this. You take No. 5 as the mean of the American and English prices and then give a rebate corresponding to the cost of drawing quarter inch to No. 5. This charge is to be adjusted by mutual agreement, is it not?

Mr. Chew.—Yes. I think there would not be any difficulty as to the cost of drawing the wire.

Mr. Ginwala.—The Board may then take it for granted that it is neither to your interest nor to the interest of the Wire Company that this wire rod should be manufactured in this country?

Mr. Chew.—Certainly from the Steel Company's point of view it is not a profitable proposition at the present time. I am unable to speak from the Wire Company's point of view.

Mr. Ginwala.—I will confine myself to your point of view. The Board may then take it for granted that so far as you are concerned you are no longer interested in any duty on wire rods?

Mr. Chew.—All I can say is that we are prepared to make this wire rod by August 1926.

Mr. Ginwala.—Even if it raises your cost of production and even if you lose on that?

President.—The line the Tata Iron and Steel Company take I presume is that whatever the legal terms of the agreement may be, they do feel that they are under some obligation to supply rods to the Indian Steel Wire Products, Limited, if they can do so. It mainly depends on the Wire Company to say if they want them.

Mr. Chew.—If the Wire Company do not insist upon it, I don't think for a moment that the Steel Company would take steps to produce rods.

Mr. Ginwala.—I want to draw your attention to one small fact that both the Tata Iron and Steel Company and the Indian Steel Wire Products, Limited, made us believe that this was a completed agreement and we have acted on that.

Mr. Chew.—I really cannot explain how that came about because I am not familiar with what transpired at the first enquiry. But it is a fact that the agreement was not actually executed till 1924 although the draft was under discussion for nearly three years.

Witness No. 6.

DIRECTOR OF INDUSTRIES, BIHAR AND ORISSA.

WRITTEN.

Letter, dated the 18th September 1925.

With reference to your letter No. 505, dated the 10th September 1925, I have the honour to enclose copies of letters No. 406-D. R., dated the 29th August 1924 with enclosure, No. 3104-D., dated the 8th December 1924 and No. 139, dated the 20th January 1925, addressed by Government to myself. These explain the terms on which five lakhs have been advanced to Indian Steel Wire Products, Limited. I presume that the Tariff Board have a copy of the Bihar and Orissa State Aid to Industries Act and the rules made by the local Government under it. If not, they may be procured from the Superintendent of Government Printing, Gulzarbagh, Patna.

Enclosure No. I.

Copy of letter No. 406-D. R., dated the 29th August 1924, from the Secretary to the Government of Bihar and Orissa, Education Department, to the Director of Industries, Bihar and Orissa.

In reply to your letter No. 753-T., dated the 18th July 1924, I am directed to convey the sanction of the Local Government in the Ministry of Education to the taking up of five lakhs worth of debentures in Indian Steel Wire Products, Limited, at Jamshedpur redeemable within ten years and carrying interest at the rate of nine per cent. per annum on the conditions detailed in the accompanying schedule for the supplementary grant for Rs. 5,00,000 under the head "Loans and advances by the Provincial Governments" which has been voted by the Legislative Council.

Supplementary demand under the head "Loans and advances by Provincial Governments."

Page of civil budget estimate for 1924-25.	Head for which extra grant is required.	Present provision.	Revised estimate if framed.	Supplementary demand.
169	Class II (Transferred) Loans under the Industries Act.	Rs. 50,000	..	Rs. 5,00,000

Indian Steel Wire Products, Limited, a firm whose works are located at Jamshedpur, have made an application under the Bihar and Orissa State Aid to Industries Act for Government to take up seven lakhs of debentures. The application was published in three successive issues of the *Bihar and Orissa Gazette* in May last and must have been seen by most members of the Legislative Council. The firm is a purely Indian one with Indian managing agents. Its object is to produce steel wire, steel nails and steel shelving for record rooms. A plant has been installed for the last purpose, but it is not proposed to make steel shelving at present owing to the smallness of demands from Government offices. Steel wire and steel nails are actually being produced, have been pronounced satisfactory by the Government Metallurgical Inspector and are being purchased by the Indian Stores Department.

2. The firm made an application to the Indian Tariff Board and the recommendations of the Board together with the evidence given by it will be found in the Board's reports. The Board recommended that a duty of 60 rupees per ton should be imposed on steel wire of certain qualities and also on wire nails and this recommendation was accepted by the Assembly. This is the only firm in India which is manufacturing steel wire and steel nails and the industry is entirely a new one in India within the meaning of the Bihar and Orissa State Aid to Industries Act. Subject to certain conditions which will be mentioned later, the prospects of the industry have been considered favourable by the Tariff Board and by other experts competent to judge. It is, however, at present in financial difficulties owing to lack of capital and unless it can obtain assistance will have to close down. The firm has a subscribed capital of just under 25 lakhs, of which over 23 lakhs has actually been paid up. The whole of this amount has been spent on machinery and buildings, preliminary expenses, etc., and the company is now in debt to the extent of over four lakhs. It is essential that it should obtain capital to pay off these liabilities, to purchase some extra machinery that is required and for working capital. Owing to the depreciation of the shares it is not possible to raise more share capital and no bank will now advance money to be locked up in industrial enterprises. The only possible source of aid seems the State.

3. The application has been examined by the Board of Industries which recommends that Government should take up debentures to the extent of five lakhs on certain conditions. It considers that this amount will be fully secured, that the prospects of the company are sufficiently favourable and that the debentures are certain to be redeemed in due course. Government after careful consideration have come to the conclusion that this is a case in which assistance should be given in accordance with the provisions of the State Aid to Industries Act. They have, therefore, decided to take up five lakhs of debentures in the company redeemable within 10 years and carrying interest at the rate of 9 per cent. on conditions stated below—

(1) that a Government director should be appointed with power of veto in accordance with section 19 of the Act;

(2) that a Government trustee for debentures should also be appointed;

(3) that the extra capital expenditure to be undertaken by the Company should not exceed Rs. 1,70 lakhs;

(4) that in accordance with section 11 of the Act Government will have the right, if they so desire, to audit or inspect the accounts of the company every six months;

(5) that the block of the company should be written down to the value disclosed in the valuation report, and that in order to balance this the share capital should be written down by 60 per cent.;

(6) that for so long as Government debentures are outstanding the managing agents should not draw the minimum amount of Rs. 24,000 allowed them under the agreement;

(7) that the items in the balance sheet for preliminary expenses, organisation expenses, underwriting commission and trial run accounts should be written off before any profits are distributed;

(8) that Messrs. Lalubhai Walchand, Kapadia and Company, Managing Agents, and the Tata Iron and Steel Company should also take up debentures to the extent of two lakhs, which should rank after the debentures taken up by Government;

(9) that the present manager should be replaced by somebody with greater energy and a thorough experience and expert knowledge of the manufacture of wire and nails;

(10) that a revised plan of manufacture is worked out providing for a smaller output of wire and a larger output of nails;

(11) that the registered office of the company should be transferred from Bombay to Jamshedpur;

(12) that the giving of this aid will be generally subject to the provisions of the Bihar and Orissa State Aid to Industries Act.

4. In order to take up these debentures, it is necessary to ask for a supplementary demand of five lakhs under the head "Loans and Advances by Provincial Governments—Class II (Transferred)—Loans under the Industries Act." There is already a lump provision of Rs. 50,000 in the budget under the above head, but this amount will probably be required for other smaller loans and Government do not propose to utilise any portion of it for this purpose.

Enclosure No. II.

Copy of letter No. 3104-D., dated the 8th December 1924, from the Secretary to the Government of Bihar and Orissa, Education Department, to the Director of Industries, Bihar and Orissa.

With reference to your letter No. 1574-T., dated the 31st October 1924, I am directed to say that in accordance with the conditions for the taking up by Government of debentures of the Indian Steel Wire Products, Limited, Government in the Ministry of Education are pleased to appoint Mr. B. A. Collins, I.C.S., Director of Industries as Government Director under section 19 of the Bihar and Orissa State Aid to Industries Act. As regards trustees, Government consider that there should be two trustees to represent the five lakhs worth of debentures to be taken up by Government and they are accordingly pleased to appoint Mr. J. E. Scott, I.C.S., O.B.E., Deputy Commissioner of Singhbhum and Mr. B. A. Collins, I.C.S., Director of Industries, Bihar and Orissa, to be Government trustees. Care should be taken to see that in the event of either of these two officers not being available, the matter is brought to the notice of Government and other names submitted for approval.

2. Government further accept your recommendations for the modification of the terms enumerated in the schedule forwarded with letter No. 406-D. R., dated the 29th August 1924, to the extent noted below:—

(1) The rate of interest should be reduced from 9 per cent. to 7½ per cent.

(2) Two lakhs worth of debentures more may be issued to rank equally with Government debentures.

(3) The payment of instalments made from the end of the third year to the end of the ninth year should be equated.

Enclosure No. III.

Copy of letter No. 139-D., dated the 20th January 1925, from the Secretary to the Government of Bihar and Orissa, Education Department, to the Director of Industries, Bihar and Orissa.

With reference to your letter No. 10030, dated the 22nd November 1924, I am directed to say that Government in the Ministry of Education have no objection to the issue of further debentures to the extent of Rs. 90,000 as detailed on the margin by the Indian Steel Wire Products, Ld., to rank equally with Government debentures provided that the provisions of section 16 (*b*) of the Bihar and Orissa State Aid to Industries Act are fulfilled.

Rs. 30,000 more to Walchand Hirachand and Company, Managing Agents.

Rs. 50,000 to Messrs. Jessop and Company, Limited.

Rs. 10,000 to Messrs. North West Soap and Company, Limited.